

Agenda Report

TO: CITY COUNCIL
THROUGH: Finance Committee

DATE: October 28, 2002

FROM: CITY MANAGER

SUBJECT: Fiscal Year 2003 Operating Budget Amendments

RECOMMENDATION

It is recommended that the City Council approve a journal voucher implementing certain amendments to the fiscal year 2003 Operating Budget as detailed in the Background Section of this report.

BACKGROUND

On June 10, 2002 the City Council adopted the Operating Budget for fiscal year 2003. Subsequent to the adoption of the budget, as is often the case, several modifications/ re-appropriations were identified requiring amendments to the adopted budget. The amendments recommended in this report are intended to correct items that were omitted from the adopted budget, make modifications to the budget which do not change overall appropriations, and re-appropriate funds that were approved in fiscal year 2002 for purchases but were not spent or encumbered by June 30th. It is staff's intention to seek no appropriations from the unappropriated General Fund Balance until such time as economic factors impacting the City, including the full impact of the state's budget deficit, become clearer.

The following items were omitted from the adopted budget and are recommended for addition to the revised operating budget:

1. Recognize \$1,478,453 in revenue in the Refuse Fund (Fund 406) as a result of the rate and franchise fee adjustments approved by the City Council on May 6, 2002. The fiscal year 2003 Operating Budget was substantially complete prior to City Council approval of the refuse rate adjustments. Consequently, the adopted fiscal year 2003 budgeted revenues for the Fund did not reflect the impact of the rate adjustment. The recommended action would correct this by increasing budget revenues to a total of \$9,195,799. There is no recommendation to adjust appropriations.

2. Recognize and appropriate \$1,189,646 in interest earnings and expense to various PCDC project areas for debt service related to advances. This amount reflects interest earnings for various PCDC project areas, which was inadvertently not included in the fiscal year 2003 adopted budget.
3. Recognize and appropriate \$3,500 in film crew directional sign removal fees to the Planning & Development Department's Economic Development Account 686000. The Planning & Development Department is responsible for removing directional signs placed by film crews working throughout the City. Film crews pay a fee to the City to support this program. This expense and the associated revenues was inadvertently omitted from the fiscal year 2003 Operating Budget.

The following items represent the re-appropriation of funds previously approved in fiscal year 2002. Funding for each of these projects and programs was included in the fiscal year 2002 operating budget; however, at the end of the fiscal year the funds had not been encumbered and were therefore returned to fund balance. It is requested that these funds be re-appropriated in the current fiscal year in order to complete these projects and programs that were previously approved and included in the budget. In each case, the requested amount is within the amount of unspent appropriation from fiscal year 2002.

4. Re-appropriate \$137,000 from the unappropriated Public Safety Augmentation Fund balance to budget account 8504-202-407300 for an automated traffic citation system (\$97,000) and cameras for the jail (\$40,000). Funding in these amounts was included in the fiscal year 2002 budget for these purchases; however, the actual purchases were not made prior to the end of the fiscal year. It is requested that these funds be added to the 2003 fiscal year budget so that these purchases can be made.
5. Re-appropriate \$200,000 to the Department of Finance budget account 323200 for the upgrade to the City's financial system. Funding for the upgrade of the PeopleSoft Financial System was included in the FY 2002 Operating Budget. Staff decided to delay the implementation of the upgrade in order to take advantage of the latest version of PeopleSoft. This will provide for a longer useful life and ultimately save the City money. This project is expected to commence in November of calendar 2002.

The following are several proposed modifications to the budget that do not affect the overall level of appropriations:

6. Transfer \$1.5 million from the General Liability Fund (Fund 507) to the Workers Compensation Fund (506). The City, along with virtually all other private and public employers in California, continues to experience rising Workers' Compensation costs. In fiscal year 2002 the Workers' Compensation Fund posted a net loss in excess of \$4 million. As part of the fiscal year 2003 budget, rates charged to departmental budgets related to workers compensation costs were increased in
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order to reverse the negative trend in the Workers' Compensation Fund. In contrast to the Workers' Compensation Fund, the General Liability Fund has increased its fund balance from \$2.7 million to \$4.6 million as of June 30, 2002, which is in excess of what the City's reserve policy calls, which is fund balance equal to 70% of outstanding liabilities. Due to the relative position of each of these funds, it is recommended that \$1.5 million be transferred from the General Liability Fund to the Workers Compensation Fund.


7. Transfer \$1.5 million from the Fleet Maintenance Fund (503) to the Building Maintenance Fund (502). Although the Building Maintenance Fund has a positive fund balance, the amount of money designated for the City's preventative maintenance program in the Capital Improvement Program, places the fund in a negative position in terms of funds available for appropriation. The Fleet Maintenance Fund has a beginning fund balance in excess of \$12 million. The size of this fund has been growing in recent years, as vehicle replacement lags behind contributions to the fund. It is recommended that a transfer from the Fleet Fund to the Building Maintenance Fund be made in order to improve the position of the Building Maintenance Fund. This transfer will not have a negative impact on the City's ability to replace vehicles that have reached the end of their lifecycle.
 8. Eliminate the \$62,620 inter-fund transfer from the Refuse Fund (406) to the Fleet Fund (503). This inter-fund transfer was established to cover the cost of a mechanic assigned full-time to vehicles in the Refuse Program. However, the Building Systems and Fleet Maintenance Division has implemented a direct billing for this position. Continuation of the inter-fund transfer would result in double billing.
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FISCAL IMPACT

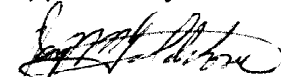
The proposed action will change budgeted appropriations and revenues as follows:

- Increase General Fund Appropriations by \$203,500, which includes re-appropriations of \$200,000.
- Increase General Fund Revenues \$3,500
- Increase appropriations in the Refuse Fund by \$1,478,453.
- Increase revenues and appropriations in various PCDC project areas by \$1,189,646.
- Increase appropriations in the Public Safety Augmentation Fund by \$137,000, as a result of a re-appropriation.

Respectfully submitted,


Cynthia J. Kurtz
City Manager

Approved by:


Jay M. Goldstone
Director of Finance

Prepared by:


Steve Mermell
Budget Administrator