

Mayor and Council Communication

DATE: 09/10/19

M&C FILE NUMBER: M&C 19-0154

LOG NAME: 032019 WINDUP_

SUBJECT

Adopt Ordinances Enacting Fiscal Year 2019 Year End Budget Adjustments by Reallocating Resources, Operating Surpluses, and Available Current-Year Revenues to Offset Projected Shortfalls, Fund Departmental Capital Projects and Outlays and Authorize All Associated Transfers (ALL COUNCIL DISTRICTS)

RECOMMENDATION:

It is Recommended that the City Council:

1. Adopt the attached ordinances making Fiscal Year 2019 year-end adjustments to address projected departmental operational expenses.
 1. Reducing the following General Fund Departments budgets by a combined \$6,078,314.00 recognizing the respective operational savings to address other General Fund projected shortfalls:
 1. Library department by \$1,397,964.00;
 2. Municipal Court department by \$450,000.00;
 3. Planning and Development department by \$391,571.00; and
 4. Non – Departmental by \$3,838,779.00.
 2. Increasing the following General Fund Department budgets by a combined \$6,078,314.00 from the reduction identified above and the Non - departmental to address projected shortfalls due to higher than anticipated contractual obligations and fleet costs:
 1. Economic Development Department by \$4,678,960.00;
 2. Fire Department by \$1,374,701.00; and
 3. Neighborhood Services Department by \$24,653.00.
2. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the General Fund in the amount of \$151,360.00.00, from available funds, for the purpose of transferring actuals to the Botanic Gardens Fund to complete the transfer of a FY2018 subsidy;
3. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Botanic Gardens Fund in the amount of \$90,000.00, from available fund balance, due to the additional pension contributions which were enacted in FY2019;
4. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Botanic Gardens Fund in the amount of \$191,980.00.00, from available fund balance, for the purpose of transferring funds to the General Capital Projects Fund, programmable project P00110, to complete a transfer originally appropriated in FY2018;
5. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Environmental Protection Fund in the amount of \$430,000.00, from available funds, to address additional operational expenses; and
6. Authorize all necessary transfers to affect the appropriations identified above.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to take actions within the General Fund associated with finishing Fiscal Year 2019 by adjusting funding among General Fund departments. In addition, the M&C will appropriate funds from available funds for increased expenditures in the Botanic Gardens Fund and the Environmental Protection Fund.

The City's annual operating budget is formally enacted into law by City Council action adopting an appropriation ordinance that establishes spending limits for each department's and fund's operation. In the past, Staff has waited until the completion of the Comprehensive Annual Financial Report (CAFR) to affect the settlement of General Fund departments. The current practice is to manage this process during the current fiscal year and allocate net savings to meet one-time needs or to address items that have arisen during the fiscal year.

General Fund (delegated authority with inclusion of recommendation 1)

The City Manager is authorized by the budget ordinance to move certain monies from Non-Departmental to other departments, as needed, under delegated authority. The Non-Departmental budget in the General Fund includes allocations based on the Fund's overall annual budgeted need for separation leave costs for General Fund employees, certain contractual costs, election costs and tuition reimbursement costs and pension costs for Fiscal Year 2019; these allocations can be distributed to individual departments as they have specific expenses in these areas. For FY2019, the City Manager made allocations and transfers totaling \$15,887,646.00 to various departments to cover separation leave (\$4,778,589.00), Disparity Study (\$454,200.00), election costs (\$348,103.00), tuition reimbursement (\$13,221.00), and pension costs (\$10,293,533.00). At this time, the Non-Departmental budget of the General Fund has an available unencumbered appropriation balance of \$4,201,137.00, and this M&C proposes reallocating \$3,838,779.00 of that amount toward offsetting the noted projected shortfalls in certain General Fund department budgets.

The General Fund fiscal month 8 Forecast shows a potential surplus of \$5.0M. Revenues are projected to be approximately \$4.5M higher, primarily attributed to higher electricity franchise fees and sales tax revenue. Expenditures are projected to be under budget by \$500k.

All of the above changes related to the General Fund are outlined in a separate chart: See *Attachment A*

General Fund (recommendation 2)

In fiscal year 2018, the Botanic Gardens Fund included a budgeted subsidy from the General Fund of \$3,002,533.00, however, the actual transfer was short by \$151,360.00, requiring an appropriation in the current year to complete the remaining prior year subsidy. Excess sales tax revenue in the current year allows for the remaining transfer to be made without using fund balance.

Botanic Gardens Fund (recommendation 3)

The Botanic Garden fund is projected to have a shortfall of \$90,000.00 due to the additional retirement contributions which were enacted in FY2019. The additional expenditures along with the lower revenues will be covered by the use of fund balance.

Botanic Gardens Fund (recommendation 4)

In fiscal year 2018, there was a budgeted transfer of \$191,980.00 from Botanic Gardens Fund to the General Capital Fund, as approved in M&C C-28507, dated December 12, 2017. The budget appropriations were created, but actuals were never transferred in fiscal year 2018. Since the transfer was not completed in the prior year, it requires an appropriation to complete the transfer in the current year, using fund balance.

Environmental Protection Fund

The Environmental Protection Fund is projecting to have a shortfall of \$430,000.00 due to retirement and some additional environmental clean-up costs associated with City facilities. There are current-year revenues from environmental fees to offset the additional expenditures.

A Form 1295 is not required for this contract because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon the approval of the above recommendations and adoption of the attached ordinances, funds will be available in the current operating budget, as appropriated, of the General Fund, Botanic Gardens Fund and the Environmental Protection Fund.

Submitted for City Manager's Office by: Fernando Costa 8180

Originating Business Unit Head: Lynda Johnson 6222

Additional Information Contact: Terry Hanson 7934