



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: September 20, 2017

Approved

D. DSYL

Date

9/22/17

SUBJECT: ADOPTION OF AN ORDINANCE RATIFYING FINAL EXPENDITURES IN VARIOUS APPROPRIATIONS FOR 2016-2017 AND ADOPTION OF THE ASSOCIATED APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN 2016-2017

RECOMMENDATION

- (a) Adopt an ordinance ratifying final 2016-2017 expenditures in various appropriations as detailed in this report.
- (b) Adopt the following 2016-2017 Appropriation Ordinance and Funding Sources Resolution amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund:
 - (1) Increase the Construction and Conveyance Tax estimate by \$4,671,408;
 - (2) Increase the Needs-Based Allocation Transfer to District 1 by \$412,729;
 - (3) Increase the Needs-Based Allocation Transfer to District 2 by \$203,375;
 - (4) Increase the Needs-Based Allocation Transfer to District 3 by \$174,616;
 - (5) Increase the Needs-Based Allocation Transfer to District 4 by \$240,178;
 - (6) Increase the Needs-Based Allocation Transfer to District 5 by \$313,354;
 - (7) Increase the Needs-Based Allocation Transfer to District 6 by \$300,115;
 - (8) Increase the Needs-Based Allocation Transfer to District 7 by \$209,710;
 - (9) Increase the Needs-Based Allocation Transfer to District 8 by \$309,299;
 - (10) Increase the Needs-Based Allocation Transfer to District 9 by \$271,356;
 - (11) Increase the Needs-Based Allocation Transfer to District 10 by \$211,634;
 - (12) Increase the Transfer to the Parks City-Wide Construction and Conveyance Tax Fund appropriation by \$1,324,181; and
 - (13) Increase the Transfer to the General Fund – Parks Eligible Maintenance Costs appropriation by \$700,861.

- (c) Adopt the following 2016-2017 Appropriation Ordinance and Funding Sources Resolution amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Maintenance Yards Purposes:
- (1) Increase the Construction and Conveyance Tax estimate by \$12,942; and
 - (2) Increase the Transfer to the General Fund – Park Yards Operating and Maintenance Expenses appropriation by \$12,942.
- (d) Adopt the following 2016-2017 Appropriation Ordinance and Funding Sources Resolution amendments in the 1943 Gas Tax Maintenance and Construction Fund:
- (1) Increase the Gas Tax estimate by \$103,901; and
 - (2) Increase the Transfer to the General Fund for Street Maintenance appropriation by \$103,901.

OUTCOME

The recommended actions account for unanticipated appropriation over-expenditures that occurred at the end of 2016-2017 and allow the final financial accounting for 2016-2017 to be completed.

BACKGROUND

As part of the process of completing the 2016-2017 fiscal year-end audit, final expenditures and encumbrances recorded by the Finance Department have been compared to the budget to determine whether the expenditures were within appropriation levels approved by the City Council. In this report, City Council approval is requested for a small number of appropriation increases necessitated because final 2016-2017 expenditure totals exceeded final modified appropriation levels.

ANALYSIS

As part of the year-end closing process, certain expenses not previously anticipated are recorded and cause appropriations to be exceeded. Under the City's current practice, appropriation increases necessary to fund those expenses require City Council ratification action.

The Administration makes every effort to limit the number of instances where after-the-fact ratification of over-expenditures must occur. As has been the practice in the past, year-end budget adjustments were prepared and brought to City Council by the City Manager's Budget Office in June 2017 for the 2016-2017 fiscal year. A number of potential overruns were avoided as a result of the actions taken in that document.

The Administration manages approximately 1,500 appropriations allocated to over 100 City funds. In 2016-2017, appropriations were exceeded in three City funds as described in

Attachment A. The total amount for the three funds involved is \$4.8 million and includes the following:

- Transfer appropriations in the Parks Construction and Conveyance Tax Fund – Parks Purposes Central Fund (\$4,671,408);
- Transfer appropriation in the Parks Construction and Conveyance Tax Fund – Parks Maintenance Yards Fund (\$12,942).
- Transfer appropriation to the General Fund in the 1943 Gas Tax Maintenance and Construction Fund (\$103,901); and

All of \$4.8 million in exceeded appropriations, were the result of higher revenues that necessitated budget actions to transfer those funds to other funds, consistent with previous City Council direction.

EVALUATION AND FOLLOW-UP

The ratification of exceeded appropriations will be incorporated into the City's Comprehensive Annual Financial Report for 2016-2017.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the October 3, 2017, City Council Agenda.

COORDINATION

This memorandum was coordinated with the Finance Department.

COMMISSION RECOMMENDATION/INPUT

This memorandum does not have any board or commission input.

FISCAL/POLICY ALIGNMENT

The recommended budget actions align with the City's budget policy that dictates that the City will maintain the fiscal integrity of its operating, debt service, and capital improvement budgets.

COST SUMMARY/IMPLICATIONS

As discussed in the memorandum, additional revenue is available to offset the exceeded appropriations for 2016-2017.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism, or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.



JENNIFER A. MAGUIRE
Senior Deputy City Manager/
Budget Director

For questions, please contact Margaret McCahan, Assistant Budget Director, at (408) 535-8132.

Attachment A: 2016-2017 Ratification Descriptions

I hereby certify that there was available for appropriation in the following funds in fiscal year 2016-2017 moneys in excess of those heretofore appropriated therefrom, said excess being at least the amounts as set forth below:

Construction Tax and Property Conveyance Tax Fund:	\$4,671,408
Parks Purposes Central Fund	
Construction Tax and Property Conveyance Tax Fund:	\$12,942
Parks Maintenance Yards Purposes	
	\$103,901
1943 Gas Tax Maintenance and Construction Fund	



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Senior Deputy City Manager/
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2016-2017 RATIFICATION DESCRIPTIONS

<u>Construction and Conveyance Tax Fund – Parks Purposes Central Fund</u>	\$4,671,408
<p>As a result of higher than anticipated revenues, a technical adjustment is necessary to account for over-expenditures that occurred in the Transfer appropriations in the Construction and Conveyance Tax Fund – Parks Purposes Central Fund that is allocated for parks and community facilities development. The Construction and Conveyance Tax revenue is received in the Construction and Conveyance Tax Fund – Parks Purposes Central Fund and then distributed to other various Parks-related Construction and Conveyance Tax Funds (i.e City-Wide and Council District Funds) as well as the General Fund based on the City Council-approved distribution formula. Because Construction and Conveyance Tax Fund revenue ended the year above the estimated level, the transfer appropriations that were used to distribute this revenue to the other funds were also exceeded. Funding allocated for these ratification actions is offset by additional Parks Construction and Conveyance Tax Fund revenue.</p>	
<u>Construction and Conveyance Tax Fund – Parks Maintenance Yards Fund</u>	\$12,942
<p>As a result of higher than anticipated revenues, a technical adjustment is necessary to account for the over-expenditure that occurred in the Transfer appropriation in the Construction and Conveyance Tax Fund – Parks Maintenance Yards Fund. Based on the City Council-approved distribution formula, a total of 15% of the revenue received in the Construction and Conveyance Tax Fund – Parks Maintenance Yards Fund is transferred to the General Fund for park maintenance operating and maintenance costs. Because Construction and Conveyance Tax Fund revenue ended the year above the estimated level, the transfer appropriation that was used to distribute this revenue to the General Fund was also exceeded. The funding allocated for the ratification action is offset by the additional Construction and Conveyance Tax Fund revenue.</p>	
<u>1943 Gas Tax Maintenance and Construction Fund</u>	\$103,901
<p>As a result of higher than anticipated revenues, a technical adjustment is necessary to account for the over-expenditures that occurred in the Transfer to the General Fund for Street Maintenance appropriation in the 1943 Gas Tax Maintenance and Construction Fund. Expenditures are to be used exclusively for the acquisition of real property or the construction, maintenance, or improvement of streets or highways, other than state highways. Through City Council resolution, the transfer of funds to the General Fund reimburses expenditures related to projects qualified to use special gas tax improvement funds such as traffic signal maintenance, street lighting maintenance, and signs and marking maintenance. The funding allocated for the ratification action is offset by the additional Gas Tax revenue from the State of California under the provisions of the Street and Highways code.</p>	
TOTAL	\$4,788,251