ATTACHMENT 1

TO: HONORABLE CITY COUNCIL
ATTENTION: FINANCE COMMITTEE
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: JULY 15, 2008 CMR: 306:08
SUBJECT: REQUEST TO PRELIMINARILY APPROVE 2007-08 REAPPROPRIATIONS REQUESTS

RECOMMENDATION
Staff recommends that the Finance Committee recommend that Council preliminarily approve the FY 2007-08 reappropriations (Attachment A).

BACKGROUND
As a part of the year-end financial process, department staff works with the Administrative Services Department (ASD) to review outstanding financial obligations. In the course of regular operations, items can span two fiscal years in the processing—planning in one fiscal year and actual payment in the next. This necessitates carrying forward both encumbered and budgeted amounts. Council approves these carry-forward items in the year-end closing ordinance once the accounting books are closed. Staff utilizes the reappropriation process if base funding in the following fiscal year cannot accommodate the expense.

In 1995, the Fiscal Procedures Chapter of the Municipal Code (Chapter 2.28, Section 2.28.090) governing reappropriations was amended to allow Council to preliminarily authorize reappropriations of non-capital budgets at the beginning of the fiscal year with final authorization to be made at the time of adoption of the budget closing ordinance. The purpose of this was to ease difficulties experienced by the departments caused by the delayed, final approval of the reappropriations where the reappropriation was justified and sufficient funds from the prior year were clearly available. Preliminary approval allows the department to continue with normal operations and spend the funds as of the Council’s preliminary approval date rather than the year-end ordinance approval date.

DISCUSSION
With the implementation of SAP, there is an opportunity to take advantage of system efficiencies by allowing the system to automatically post the previous year’s reappropriations with other encumbered, carry-forward funds as of the beginning of the new fiscal year. As noted above, the Municipal Code allows the "preliminary" approval of reappropriations as long as final approval
is included with the normal year-end closing ordinance. The preliminary reappropriation action allows for an early review of uncommitted funds in a just-concluded fiscal year. Attachment A identifies those reappropriation requests that ASD recommends for preliminary approval.

**RESOURCE IMPACT**
Staff has determined that sufficient uncommitted budgeted funds exist to allow for the preliminary approval of the attached 2007-08 reappropriations list (Attachment A). General Fund proposed reappropriations total $647,719.

**POLICY IMPLICATIONS**
This recommendation is consistent with adopted Council policy.

**ENVIRONMENTAL REVIEW**
The action recommended is not a project under Section 21065 for the purposes of the California Environmental Quality Act.

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**PREPARED BY:**
DALE WONG  
Senior Financial Analyst

**DEPARTMENT HEAD APPROVAL:**
LALO PEREZ  
Director, Administrative Services

**CITY MANAGER APPROVAL:**
STEVE EMSLIE and KELLY MORARIU  
Deputy City Managers

**ATTACHMENT**
Attachment A: 2007-08 Reappropriations List
## 2007-08 REAPPROPRIATION REQUESTS

### SUMMARY OF REQUESTS

<table>
<thead>
<tr>
<th></th>
<th>Total Requests</th>
<th>Total Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL FUND</td>
<td>$647,719</td>
<td>$647,719</td>
</tr>
<tr>
<td>ENTERPRISE FUND</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$647,719</strong></td>
<td><strong>$647,719</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$ AMOUNT</th>
<th>INTENDED USE</th>
<th>COMMENTS/REASONS FOR NOT COMPLETING IN 2007-08</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$81,000</td>
<td>Climate Protection Plan (CPP)</td>
<td>This reappropriation is being requested for additional project funding to assist departments in achieving CPP goals as mandated by Council. The request is also for a consultant / department backfill for additional staff time to help implement a plan for greenhouse gas reductions within the community. In 2007-08, staff completed a cost-benefit analysis of CPP recommendations under budget. These savings can be applied in 2008-09 to implement the plan.</td>
<td>Recommended $81,000. There is sufficient balance in the Fiscal Year 2007-08 budget that can be reappropriated.</td>
</tr>
<tr>
<td>$30,919</td>
<td>Document Archiving and Library Plan/Public Safety Building Project</td>
<td>This reappropriation is being requested for the document conversion of CMRs which did not occur as planned in 2007-08 due to unanticipated department priorities. The request is also for the Library Plan/Public Safety Building Project which overlaps two fiscal years.</td>
<td>Recommended $30,919. There is sufficient balance in the Fiscal Year 2007-08 budget that can be reappropriated.</td>
</tr>
<tr>
<td>$AMOUNT</td>
<td>INTENDED USE</td>
<td>COMMENTS/REASONS FOR NOT COMPLETING IN 2007-08</td>
<td>STATUS</td>
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<tr>
<td>$60,800</td>
<td>Study of parking permit program for College Terrace</td>
<td>This reappropriation is being requested for the study of a residential parking permit program in College Terrace. On October 25, 2001, as a condition of their General Use Permit with Santa Clara, Stanford University paid $100,000 to the City for study of a residential parking permit program in College Terrace. Funds were held in a deposit account until they were ready for use. At mid-year 2007-08, the City Council authorized moving the funds into the Transportation Section budget and proceeding with the study. The $60,800 remaining is reserved specifically for that project to implement any recommendations adopted by the City Council. Transportation Section will report back to the City Council with the consultant’s recommendations in late Summer 2008. Implementation will begin at that time if the City Council moves forward with the project. Implementation of a parking permit program is not anticipated in the 2008-09 budget.</td>
<td>Recommended $60,800. There is sufficient balance in the Fiscal Year 2007-08 budget that can be reappropriated.</td>
</tr>
<tr>
<td>$475,000</td>
<td>Salary Contingency</td>
<td>This reappropriation is being requested for the Management and Professional group which includes the compensation study that will be completed in 2008-09. In addition, the Fire Chiefs Association will be receiving a salary increase and two years of retroactive pay in 2008-09, per the negotiated contract agreement. The contract was agreed upon after the 2008-09 Proposed budget was prepared and the amounts were not included.</td>
<td>Recommended $475,000. There is sufficient balance in the Fiscal Year 2007-08 budget that can be reappropriated.</td>
</tr>
</tbody>
</table>
Finance Committee
Sense Minutes
July 15, 2008

Excerpt

3. Request to Preliminarily Approve 2007-08 Re-appropriation Requests.

Lalo Perez, the Director of Administrative Services, explained the year-end financial process. He stated that after the budget is approved, and commitments are made, it is entered as an encumbrance transaction which becomes a legal obligation. Typically, auditors do not want us to encumber funds, when there in no vendor selected, so the unassigned funds are carried on as re-appropriations to the next fiscal year. He added that tonight he is discussing the General Fund and Enterprise Fund. He stated that the Enterprise Fund has no re-appropriation carrying forward, but the General Fund has $647,719.00 being recommended to carry forward. He added that in previous years we used to come to this process in December, however, it would cause delays in commencing the project, since it would be processed in the middle of the fiscal year. Staff is asking for preliminary approval in the fiscal year, to use those funds. He noted the following projects are carrying forward: 1) $81,000.00 for the Climate Protection Plan, 2) $30,919.00 for Document Archiving and Library Plan and Public Safety Building, 3) $60,800.00 for Study of Parking Permit Program for College Terrace, and 4) $475,000.00 salary contingency for Management and Professional group, which is setting the adjustment of 0.5% for last fiscal year and 0.5% the prior year that will be completed in 2008-09, and the second part of it is for Fire Chiefs Association who will be receiving a salary increase.

Council Member Schmid asked about the Budget Book and where the numbers could be found in that book.

Mr. Perez replied that the Adopted Budget Book will come out in the August 4, 2008 packet and he referred to Appendix One, page 2 on Non-Departmental Section of the Proposed Budget Document.

Council Member Schmid asked about the impact of the re-appropriation.
Mr. Perez answered that the Council would see the changes in the first quarter update. The re-appropriation amount of $687,000.00, would transfer in and show the increase in the non-departmental budget.

Council Member Yeh questioned about the implementation of SAP and how it is implemented.

Mr. Perez replied that the system had been recently u[graded and staff is starting the implementation of the Utilities module.

**MOTION:** Council Member Yeh moved, seconded by Council Member Schmid, that the Finance Committee recommend that Council preliminarily approve the FY 2007-08 re-appropriations.

**MOTION PASSED 4-0**