

**TO: HONORABLE CITY COUNCIL**

**FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES**

**DATE: SEPTEMBER 14, 2009 CMR: 354:09**

**REPORT TYPE: CONSENT**

**SUBJECT: Recommendation from Finance Committee to Preliminarily Approve Fiscal Year 2009 Reappropriation Requests to be Carried Forward into Fiscal Year 2010**

**RECOMMENDATION:**

The Finance Committee recommends that the Council preliminarily approve the Fiscal Year 2009 reappropriations to be carried forward into Fiscal Year 2010 (Attachment 1).

Reappropriation is defined as the inclusion of a balance from the prior year's budget as part of the budget of the subsequent fiscal year. This year, General Fund proposed reappropriations total \$2,264,907. Enterprise Fund proposed reappropriations total \$521,095. Internal Service Fund proposed reappropriations total \$180,365.

**COMMITTEE REVIEW AND RECOMMENDATIONS:**

On July 21, 2009, the Committee voted unanimously to accept staff's recommendation to carry forward the Fiscal Year 2009 reappropriations into Fiscal Year 2010.

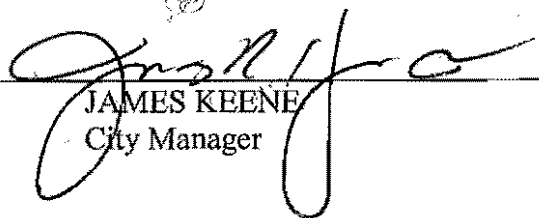
**PREPARED BY:**

  
\_\_\_\_\_  
DALE WONG  
Senior Financial Analyst

**DEPARTMENT HEAD:**

  
\_\_\_\_\_  
LALO PEREZ  
Director, Administrative Services

**CITY MANAGER APPROVAL:**

  
\_\_\_\_\_  
JAMES KEENE  
City Manager

**ATTACHMENTS**

Attachment 1: CMR 294:09, July 21 2009 Report to the Finance Committee  
Attachment 2: Excerpt from July 21, 2009 Finance Committee Minutes

**TO: HONORABLE CITY COUNCIL**

ATTACHMENT 1

**ATTENTION: FINANCE COMMITTEE**

**FROM: CITY MANAGER**

**DEPARTMENT: ADMINISTRATIVE SERVICES**

**DATE: JULY 21, 2009**

**CMR: 294:09**

**SUBJECT: Request to Preliminarily Approve Fiscal Year 2009 Reappropriations Requests**

**RECOMMENDATION**

Staff recommends that the Finance Committee recommend that the Council preliminarily approve the Fiscal Year 2009 reappropriations (Attachment A).

**BACKGROUND**

As a part of the year-end process, staff reviews the City's unencumbered and unspent appropriations of the fiscal year just ended along with the City's spending plans. Encumbered amounts are those subject to the legal claims of other parties due to contractual obligations (i.e., commitments made through purchase orders). The reappropriations process calls for unencumbered and unspent amounts in one fiscal year to be carried forward into the following fiscal year. Staff utilizes the reappropriation process if the adopted budget in the following fiscal year cannot accommodate the expense. Council approves these reappropriations in the year-end closing ordinance once the accounting books are closed.

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 in January. The purpose of this was to ease difficulties experienced by the departments caused by the late, 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**

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 staff recommends for preliminary approval.

**RESOURCE IMPACT**

Staff has determined that sufficient uncommitted budgeted funds exist to allow for the preliminary approval of the attached Fiscal Year 2009 reappropriations list (Attachment A). General Fund proposed reappropriations total \$2,264,907. Enterprise Fund proposed reappropriations total \$521,095. Internal Service Fund proposed reappropriations total \$180,365.


**POLICY IMPLICATIONS**

This recommendation is consistent with adopted Council policy.

**ENVIRONMENTAL REVIEW**

The action recommended is not a project for the purposes of the California Environmental Quality Act.

PREPARED BY: \_\_\_\_\_   
DALE WONG  
Senior Financial Analyst

DEPARTMENT HEAD APPROVAL: \_\_\_\_\_   
LALO PEREZ  
Director, Administrative Services

CITY MANAGER APPROVAL: \_\_\_\_\_   
JAMES KEENE  
City Manager

**ATTACHMENT**

Attachment A: Fiscal Year 2009 Reappropriations List

## Attachment A

### FY 2009 REAPPROPRIATION REQUESTS

#### SUMMARY OF REQUESTS

	Total Requests	Total Recommended
GENERAL FUND	\$ 2,264,907	\$ 2,264,907
ENTERPRISE FUND	\$ 521,095	\$ 521,095
INTERNAL SERVICE FUND	\$ 180,365	\$ 180,365
<b>TOTAL</b>	<b>\$ 2,966,367</b>	<b>\$2,966,367</b>

\$ AMOUNT	INTENDED USE	COMMENTS/REASONS FOR NOT COMPLETING IN FY 2009	STATUS
<i>City Manager's Office</i>			
\$111,500	Senior Games Sponsorship	This reappropriation is being requested for a sponsorship agreement for the 2009 National Senior Games as approved by Council. When Council approved the agreement in March 2009, there was no appropriation of funds associated with the approval. The FY 2010 City Manager's Office budget does not have the funds to cover these one-time expenditures. As such, a reappropriation of savings is being requested from the FY 2009 budget to cover expenditures associated with the 2009 Senior Games to be held August 1-15, 2009.	<b>Recommended \$111,500.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.
<i>Planning Department</i>			
\$32,107	Comprehensive Plan Amendment	This reappropriation is being requested for the Comprehensive Plan Amendment. This project was the result of a colleague's memo to update the Comprehensive Plan through 2020 to identify future growth and ensure sufficient services to serve existing and future needs and address sustainability. The Comprehensive Plan Amendment is a multi-year project and this \$32,107 budget balance needs to be reappropriated into FY 2010 for the ongoing project costs.	<b>Recommended \$32,107.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.
\$17,500	Alternative Modes Program	This reappropriation is being requested for the City's Bicycle Transportation Plan input into the Comprehensive Plan. Due to workload issues, this project was not completed in FY 2009. This project will be implemented in the Fall.	<b>Recommended \$17,500.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.

<b>\$ AMOUNT</b>	<b>INTENDED USE</b>	<b>COMMENTS/REASONS FOR NOT COMPLETING IN FY 2009</b>	<b>STATUS</b>
\$53,800	Study of parking permit program for College Terrace	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 FY 2009, the City Council authorized moving the funds into the Transportation Section budget and proceeding with the study. The \$53,800 remaining is reserved specifically for that project to implement any recommendations adopted by the City Council. Staff will obtain Council approval of the program in July 2009, and implementation of the project will then begin.	<b>Recommended \$53,800.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.
\$50,000	Speed Surveys	This reappropriation is being requested for the completion of speed surveys to justify radar enforcement on Palo Alto streets. The California Traffic Control Device Committee sets the guidelines on how to perform the survey analysis. Staff wanted to wait for their decision so that the testing analysis would not be obsolete. Staff will proceed with the speed surveys because the California Traffic Control Device Committee did not make a decision until this Spring.	<b>Recommended \$50,000.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.
<b><i>Non-Departmental</i></b>			
\$2,000,000	City Manager Housing	This reappropriation is being requested for the purchase of a home for the City Manager. The City Manager has found a home to purchase, but the funds are not necessary until FY 2010.	<b>Recommended \$2,000,000.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.
<b><i>Utilities Department- Fiber Optics Fund</i></b>			
\$11,000	Broadband Project	This reappropriation is being requested for the development of a broadband project to attract federal stimulus funds. Council originally appropriated \$300,000 to support negotiations with a consortium of firms that intended to bring fiber to the premises. The remaining balance of \$11,000 is needed in the next fiscal year for technical assistance to pursue federal stimulus funds.	<b>Recommended \$11,000.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.

<b>\$ AMOUNT</b>	<b>INTENDED USE</b>	<b>COMMENTS/REASONS FOR NOT COMPLETING IN FY 2009</b>	<b>STATUS</b>
<i>Public Works Department- Storm Drainage Fund</i>			
\$510,095	Storm Drain Innovative Improvements	This reappropriation is being requested for customer rebates for innovative storm drain projects. Annually since FY 2006, CIP SD-06105 Storm Drain Innovative Improvements has been funded for innovative storm drain projects on public and private property. Rebates are provided for projects that protect storm water quality and reduce the quantity of storm runoff. Funding has been more appropriately moved from the capital budget to the operating budget, and the remaining balance needs to be reappropriated to provide funding for future rebates along with those in process.	<b>Recommended \$510,095.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.
<i>Administrative Services Department- Technology Fund</i>			
\$180,365	Application Software Replacement	This reappropriation is being requested for application software replacement. With the increased workload during the technical upgrade of SAP and the migration of the utility billing system, some work needed to be reprioritized as staff was not able to complete all of the plans for FY 2009. Among the items that are planned to be addressed are the migration of GIS data from the Utilities Engineering group to the Enterprise GIS, the completion of the Information Technology Strategic Plan update, upgrading of software for the Budget Division and potentially performing modifications to the City's web site as identified by the Public Web Committee.	<b>Recommended \$180,365.</b> There is sufficient balance in the Fiscal Year 2009 budget that can be reappropriated.

**FINANCE COMMITTEE**

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Excerpt

Regular Meeting  
July 21, 2009

2. Request to Preliminarily Approve FY 2009 Reappropriations Requests.

Director of Administrative Services, Lalo Perez said as part of the year-end process Staff brings FY 2009 reappropriations for the Finance Committee to preliminarily approve. The term "reappropriations" refers to items that were budgeted for and approved by the City Council for the previous FY year, but Staff was not able to award contracts for those items. This process is requesting those funds to be carried over from FY 2009 to FY 2010. The total amount is about \$3 million Citywide. Approximately \$2.3 million is for the General Fund. The majority of that is \$2 million which is the City Manager's housing equity share and loan. The Enterprise Fund has about \$521,000, and the Internal Service Fund has \$180,000.

Vice Mayor Morton asked Staff if it was their intent that Council "approves in concept" these dollar amounts since each of these items were large contracts that would eventually come to Council on the Consent Calendar.

Mr. Perez said that is one step. The other time Staff would request appropriations for approval would be when the books are closed after the audit.

Council Member Schmid said this is an opportunity for oversight on spending. He stated that \$32,000 was for the Comprehensive Plan Amendment. In January 2009, when the Committee was approving the work program, there was a promise that a quarterly report to the Council would be made, and that the Council would be engaged on policy, programs, and vision statement issues. He stated the Council has not had any activity in this. He questioned whether it would be appropriate to approve budget expansions, or to have a statement about delivery of the work program given this situation.

Mr. Perez explained that these reappropriations aren't additions. They are carryovers from a previously approved budget.



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Interim Planning & Community Director, Curtis Williams said that they are trying to schedule a session in October to come to the Council with vision statements, perhaps in a joint study session with the Planning and Transportation Commission. He agreed that the format for the quarterly reports has not been completed, but believed the study session would be a good kick off for that process.

Chair Burt asked if these expenses were unencumbered expenses for Fiscal Year 2009.

Mr. Perez confirmed that they were.

Chair Burt asked why the report was worded to suggest that they were approving 2009 reappropriation requests. He asked if they were approving requests from Fiscal Year 2009 to Fiscal Year 2010.

Mr. Perez said that they were FY 2009 to FY 2010. He then explained that an encumbered expense is one that is awarded to a vendor and assigned a purchase order. In a reappropriation request there is no assignment to a purchase order, because Staff is requesting preapproved money to be carried over to the following year.

Chair Burt thought it might be confusing to the public the way it was worded. He suggested "reappropriation of 2009 appropriations carried over to 2010".

Mr. Perez agreed with Chair Burt's points that Staff should try to clarify the process.

Herb Borock PO Box 632, spoke regarding the speed survey required to justify radar enforcement, as one of the appropriation items. He stated the law dictates that speed surveys are not enough for radar enforcement. Areas near schools and senior centers don't require the surveys. Every place else requires the survey and enactment of an ordinance to authorize the use of the radar. The surveys must be done every 5 years. No Ordinance has been passed in Palo Alto since 1995. There was an RFP (126867) last year for speed surveys, yet no action was taken on the part of the Council.

Mr. Williams stated that the issue of speed surveys came up at the budget hearing. The surveys in use are still valid for the use of radar. There are



## FINANCE COMMITTEE

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exceptions that the State grants that extend the period of time in between surveys. He also stated that the surveys will expire soon, so new surveys will have to be done and Staff will have to come back to the Council for an Ordinance.

**MOTION:** Vice Mayor Morton moved, seconded by Council Member Schmid, that the Finance Committee recommend that the City Council approve the Fiscal Year 2009 reappropriations into Fiscal Year 2010.

**MOTION PASSED:** 3-0 Klein absent