
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Fiscal Year 2009 Fire-Rescue Department Appropriation Adjustment

OVERVIEW

On Monday, July 27, 2009, the City Council will be asked to authorize the City Comptroller to transfer an estimated \$1.58 million but not to exceed \$3 million from the General Fund Appropriated Reserve (602) to the Fire-Rescue Department (120).

FISCAL/POLICY DISCUSSION

The Financial Management Department prepares quarterly financial reports throughout the fiscal year, which describes the status of revenues and expenditures activities for various City funds, and also includes projections of the year-end financial status. In addition, the Office of the City Comptroller prepares a monthly summary of financial activity, describing the status of revenue and expenditure activity that has occurred to date.

The Financial Management Department presented its Year-End Budget Monitoring Report, dated May 1, 2009, to the Budget and Finance Committee and to the City Council. It included requests for budgetary adjustments to ensure the General Fund remains in balance at year-end.

The Year-End Adjustments included the authority to increase the Fire-Rescue Department budget by \$4.25 million to \$192.66 million, primarily due to the increase in overtime related to Strike Team activities. However, the Fire-Rescue Department is estimated to end the year with actual expenditures of \$5.43 million (2.8 percent) over the \$192.66 million revised budget, for total estimated expenditures of \$198.09 million.

The primary reason for the unexpected budgetary shortfall is the large amount of terminal leave attributable to the significant number of employees who chose to retire by June 30, 2009, following the recent changes made to the labor agreements, as shown in the table below.

General Fund Terminal Leave FY 2006 – FY 2009				
Department	FY 2006	FY 2007	FY 2008	FY 2009
Fire-Rescue	\$899,389	\$649,167	\$1,688,798	\$4,485,949
Police	2,057,600	1,352,652	924,657	3,575,557
Subtotal	\$2,956,989	\$2,001,819	\$2,613,455	\$8,061,506
Percent of Total	64%	66%	71%	82%
Total General Fund	\$4,603,556	\$3,014,425	\$3,688,835	\$9,853,773

Source: Simpler Financials

Of the \$4.49 million in terminal leave experienced by the Fire-Rescue Department in FY 2009, \$3.0 million occurred in the last accounting period of the fiscal year. These additional expenditures were unanticipated, occurred subsequently to the Year-End Adjustment request, and were realized after final payroll expenses were incurred in July 2009.

The Year-End Adjustments also permitted the Comptroller to increase a departmental budget up to 2%, as follows:

“Increase appropriations from appropriate available sources for any additional, unforeseen needs and to make any additional appropriation adjustments and fund transfers that may be necessary to reconcile revenues to expenditures not to exceed two percent of each department’s budget and as the changes are made the Mayor’s office shall advise and consult with the Independent Budget Analyst’s Office as needed.”

Given the 2% allowance, any amount over \$196.51 million must be approved by the City Council. With year-end expenditures for the Fire-Rescue Department now estimated at \$198.09 million, authority is needed for an additional \$1.58 million adjustment. However, authority for up to \$3 million is requested by Financial Management to provide excess capacity if needed, given that the closing process is still underway and the City Council will be on legislative recess for the month of August.

The requested action includes an estimated \$1.58 million transfer from the General Fund Appropriated Reserve, which will bring the balance of FY 2009 General Fund Appropriated Reserve to \$8.42 million, impacting the year-end fund balance.

At this point, the Fire-Rescue Department is the only department that has required the full 2% increase, and is in need of additional budgetary authority. The IBA has been informed that additional adjustments have been made to several departments, each within the 2% limit.

The City Comptroller's Year-End Report reflecting final revenue and expenditure activity for Fiscal Year 2009 will be completed in September, and is expected to be presented to the Budget and Finance Committee at its meeting of September 23, 2009.

CONCLUSION

Due to the timing of closing the City's books, this action is urgent, and was not able to be scheduled for Council committee review.

The IBA recommends that the City Council authorize the City Comptroller to transfer an estimated \$1.58 million but not to exceed \$3 million from the General Fund Appropriated Reserve to the Fire-Rescue Department to fund unanticipated expenditures for Fiscal Year 2009.

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