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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** April 10, 2008

**IBA Report Number:** 08-33

**City Council Meeting Date:** April 15, 2008

**Item Number:** 337

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# FY 2008 Budget Adjustment for Office of Homeland Security (OHS)

## OVERVIEW

On April 15, the City Council will be requested to approve an appropriations adjustment for the Office of Homeland Security (OHS) with funding coming from the Appropriated Reserves. The Office of Homeland Security is requesting an adjustment of \$475,500 to pay outstanding invoices associated with the 2007 wildfires. This adjustment is necessary because currently the department is unable to expend any additional monies due to the lack of available appropriations. It is the IBA's expressed intent that departments experiencing budget deficits as a result of the wildfires be adjusted appropriately. However, we are concerned about the need to use reserves for these adjustments, given the lack of detailed information that has been provided to the City Council on the costs related to the wildfires.

At the January 30, 2008 Budget and Finance Committee meeting the Mayor's Fiscal Year 2008 Mid-Year Budget Monitoring Report was presented. As expressed in our review of the Mid-Year (Report 08-10), the IBA was supportive of any adjustment that would balance a department's budget impacted by the wildfires; however, at the time, we expressed concerns about the lack of clarity and specificity in identifying these impacts.

As a follow up to the committee meeting and in preparation for the March 3, 2008 Council meeting, the Financial Management Director communicated that budget adjustments would be limited to increasing appropriations to fund "current and pending

expenses associated with the Southern California wildfires and other items that cannot wait until the Year-End Report.”

## FISCAL/POLICY DISCUSSION

In our review of the Mayor’s Fiscal Year 2008 Mid-Year Budget Monitoring Report, the IBA requested *“that staff provide an additional report, prior to year-end that includes more detailed and updated information on the disasters. Relevant information that should be included: updated estimates by department; estimates by fiscal year; and historical data on past experience with the timing of disaster reimbursements.”*

In a response dated February 5, 2008, the Financial Management Director stated ‘this information is still being collected by the Office of Homeland Security. Updated and detailed information *will be provided when it becomes available*, including revenue estimates for future years.’ It is our understanding that OHS staff is routinely providing updated information on eligible expenses and projected reimbursements to the Finance Department. Although we requested, at the time of this report, the IBA was unable to obtain a copy.

The only updated information that has been made available to the City Council and the public is the City Comptroller’s Financial Performance/Charter Section 39 Report for Period 8, which ended February 8, 2008. However, the information presented in the Charter Section 39 Report summarizes only the estimated costs and expenditures to date. It should be noted that estimated costs in the Charter Section 39 Report for Engineering and Capital Projects, Development Services, and “various” other departments are different than those stated in the Mid-Year Report, as highlighted in the first two columns below.

**City’s Total Expenses as a result of the October Wildfires**

Department	Estimates previously provided <sup>1</sup> :		Actual Expenses incurred as of 2/8/2008
	Mid-Year Report (11/16/2007)	Charter 39 Report (2/8/2008)	
Environmental Services	\$ 10,511,500	\$ 10,511,500	\$ 1,929,460
Fire-Rescue	3,488,000	3,488,000	3,914,640
Water	3,251,829	3,251,829	408,650
Police	2,636,165	2,636,165	3,788,233
Engineering and Capital Projects	2,350,000	1,550,000	187,891
Development Services	700,000		-
various	650,000	500,000	724,985
Metropolitan Wastewater	303,492	303,492	329,107
Office of Homeland Security	274,286	274,286	304,954
General Services	206,483	206,483	636,494
Park and Recreation	79,216	79,216	312,856
Office of the CIO	32,534	32,534	26,742
<b>Total Estimate</b>	<b>\$ 24,483,505</b>	<b>\$ 22,833,505</b>	<b>\$ 12,564,012</b>

<sup>1</sup> These estimates reflect the total City anticipated costs, which may occur over multiple fiscal years.

It is our understanding after discussion with staff that the requested \$475,500 adjustment is not in addition to the department's earlier estimate of \$274,286. Also, neither the original or revised Mid-Year Budget Adjustments took action to address OHS' estimate. In addition to OHS, year-to-date expenditures for five other departments have exceeded estimates previously provided (as highlighted in the last column of the table). At this time it is unclear if total estimated expenditures will increase or if refined figures will keep the total in line and whether future council actions will be necessary, similar to the current action, for other departments. For these reasons, the IBA reiterates the importance of providing updated estimates on the disasters.

Also, the IBA is concerned with the utilization of reserves for this action and questions whether the option of transferring projected budgetary savings from another department was considered as an alternative. Following this action, if approved, the balance of the Appropriated Reserve will total \$69,000 from a beginning balance of \$7 million back in November 2007.

## CONCLUSION

The IBA recommends approval of the proposed budget adjustment for the Office of Homeland Security, in the amount of \$475,500 due to the urgency required in order for the department to have their accounts unfrozen. However, we reiterate our earlier recommendation that a report regarding the cost impacts of the wildfires be developed and communicated to the City Council.

**[SIGNED]**

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Lisa Celaya  
Fiscal & Policy Analyst

**[SIGNED]**

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APPROVED: Andrea Tevlin  
Independent Budget Analyst