

EXECUTIVE SUMMARY

FY 2011 Year-End Budget Adjustments and Year-End Budget Monitoring

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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The Chief Financial Officer issued the Fiscal Year 2011 Year-End Budget Monitoring Report on May 18, 2011. This IBA report provides additional information in specific areas the IBA researched and obtained more in-depth explanations. The Year-End Report indicates that General Fund revenues are projected to be \$7.3 million less than budget estimates, and General Fund expenditures are projected to be \$15.9 million less than the adopted budget. The net year-end projection for the General Fund is a surplus of \$8.6 million. This is a \$3.5 million increase to the projected surplus of \$5.1 million reported at the time of the Mid-Year Report.

Revenue and expenditure projections for the Police Department reflect the greatest variances from the adopted budget for all General Fund departments, following General Services, which is to receive an \$11.8 million revenue and expenditure adjustment due to the shift of street-related work to the Proposition 42 fund. The IBA concentrated its effort on working with the Police Department to better understand the projected variances, and to determine its causes and any potential impacts on the FY 2012 Budget. The Police Department is expecting to conclude Fiscal Year 2011 with a \$3.3 million deficit in revenue and projects to exceed its expenditure budget by an estimated \$8.9 million, negatively impacting the General Fund budget for a total of \$12.2 million.

At the time of the Mid-Year Report, the IBA expressed concerns about the delay in the issuance of the FY 2010 Year-End Report from the City Comptroller, because of the lack of information that has been provided about the status of the General Fund Reserve. Since that time, the Comptroller has issued its Year-End Financial Performance Report as of June 30, 2010 on May 18, 2011, and also provided an update on May 25, 2011 which revised the General Fund revenues and impacted the General Fund Reserve estimates. Because transactions continue to be executed related to FY 2010, the IBA recommends that the Comptroller provide a final Year-End Financial Report as of June 30, 2010 to the Budget and Finance Committee, once all transactions are completed and FY 2010 is considered closed.

The IBA also recommends that the City Council accept the FY 2011 Year-End Budget Monitoring Report from the Mayor and authorize the requested appropriation adjustments.