

**OFFICE OF INDEPENDENT BUDGET ANALYST
CITY OF SAN DIEGO
M E M O R A N D U M**

No. 06-13

DATE: July 10, 2006

TO: Honorable Council President and Members of the City Council

FROM: Andrea Tevlin, Independent Budget Analyst

SUBJECT: Taylor Street Slope Reconstruction

Item 103 on the City Council docket of July 11, 2006 requests funding in the amount of \$1,226,848 to be drawn from the General Fund Unappropriated Reserve to fund the Taylor Street Slope Reconstruction Project. The Council action and executive summary indicate that eligible costs up to \$1,226,848 will be reimbursed by the Federal Emergency Management Agency (FEMA), and that the Unappropriated Reserve will be used as an advance funding source.

According to the executive summary, the City filed a Request for Public Assistance with the State of California Office of Emergency Services (OES), and subsequently received notification authorizing reimbursement of \$1,226,848 for repairs to the Taylor Street slope. However, the deadline set for completion of work was August 4, 2006, and the City can only be reimbursed for actual costs incurred by that date. The City has requested an extension to March 31, 2008 from the OES, which has been preliminarily accepted. However, the extension must still be approved by FEMA, and there is no guarantee that it will do so. If FEMA does not grant the extension, then the City will not be reimbursed for costs associated with the Taylor Street Slope Reconstruction project incurred after August 4, 2006.

Upon request from Councilmember Atkins, the IBA has examined possible alternate sources of funding for this project. Several possible alternate sources of funding have been identified:

- TransNet
- Gas Tax
- Environmental Growth Fund
- Capital Outlay
- Regional Park Infrastructure Fund

While the Taylor Street Slope Reconstruction Project appears to be an eligible expenditure for each of these funding sources, it is unknown at this time the exact amount of funding that is available from each. Should FEMA ultimately decide to not grant the City an extension on the completion of work date, the IBA recommends that one of these alternate funding sources be considered as a means to reimburse the Unappropriated Reserve. In addition, it is recommended that once the FY06 books are closed the CFO provide a memo to the Council detailing any available funding from these sources.

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Use of Unappropriated Reserve

The CFO has been previously requested to provide a “running balance” of the Unappropriated Reserve each time that a request to access funding from the Reserve is proposed. It is important for the Council to be fully informed regarding the status and use of the City’s reserves prior to taking such an action. According to Financial Management, prior to today’s request, the Unappropriated Reserve balance is estimated at \$31.2 million. Today’s request would bring the Reserve balance down to \$30.0 million. We would ask Financial Management and the CFO to provide this information in the future for each “reserves” request.

Additionally, now that Fiscal Year 2006 is complete, the IBA recommends that Council request the CFO to provide a complete accounting of all transactions that have impacted the Unappropriated Reserve over the past fiscal year, including the allocation of any year-end surplus. This will help to establish a firm starting point for Fiscal Year 2007, and will allow for greater transparency with regards to the status of City’s reserves.

[SIGNED]

Andrea Tevlin
Independent Budget Analyst

cc: Chief Operating Officer