



Legislation Details (With Text)

**File #:** 21-803  
**Type:** Administrative Items      **Status:** Agenda Ready  
**File created:** 10/25/2021      **In control:** City Council/Public Financing Authority  
**On agenda:** 11/2/2021      **Final action:**  
**Title:** Fiscal Year 2020/21 Year End Budget Adjustments, Inter-Fund Transfers, and Assignment  
**Attachments:** 1. Att 1 - FY20-21 Year-End Budget Adjustment, 2. Supp Com - PP 11/2

Date	Ver.	Action By	Action	Result
11/2/2021	1	City Council/Public Financing Authority	approved	Pass

**REQUEST FOR CITY COUNCIL ACTION**

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Oliver Chi, City Manager

**PREPARED BY:** Dahle Bulosan, Chief Financial Officer

**Subject:**

Fiscal Year 2020/21 Year End Budget Adjustments, Inter-Fund Transfers, and Assignment

**Statement of Issue:**

The Finance Department is currently undergoing the year-end closing process for Fiscal Year 2020/21, which began on July 1, 2020, and ended on June 30, 2021. Certain technical adjustments and fund transfers need to be made to reconcile the budget with actual expenditures incurred, and to comply with auditing, actuarial, accounting or legal requirements. City Council authorization is requested to perform these reconciliations in order to properly close Fiscal Year (FY) 2020/21. City Council authorization is also requested to set aside funds to ensure proper Litigation Reserves. There are sufficient revenues, available cash, and/or fund balances to support these adjustments

**Financial Impact:**

- Appropriation Increases (Various Funds): Appropriation increases of \$6,150,900 are requested to reconcile the budget with actual expenditures incurred in various funds (Attachment 1).
- Inter-Fund Transfers (Various Funds): Authorization is requested for inter-fund transfers totaling \$7,074,692 from various funds to reconcile budgets and close out fund accounts (Attachment 1).
- Litigation Reserves: Authorization is requested to set aside \$3,650,000 in the General Fund to properly fund legal claims.

**Recommended Action:**

A) Approve the year-end inter-fund transfers for the Fiscal Year 2020/21 Revised Budget in the Funds and by the amounts contained in Attachment 1; and,

B) Increase appropriations for the FY 2020/21 Revised Budget by \$13,225,591 in the Funds and amounts contained in Attachment 1 and associated carryovers to reconcile the budget with actual expenses incurred.

C) Approve the assignment of \$3,650,000 in the General Fund for Litigation Reserves.

**Alternative Action(s):**

Do not approve the recommendation and direct staff accordingly.

**Analysis:**

The FY 2020/21 Budget was adopted by the City Council on June 29, 2020, for the fiscal year beginning July 1, 2020. The Finance Department has compiled recommended budget adjustments to cover additional costs and/or provide appropriations necessary to expend funds that have been received for specific purposes. The requested adjustments will be funded by available revenue or fund balances within each distinct Fund.

**Inter-Fund Transfers and Budget Adjustments** Technical year-end budget adjustments to the FY 2020/21 Revised Budget are requested to align appropriations in certain funds with actual expenditures incurred through June 30, 2021, as actual expenditures cannot exceed the appropriation amounts contained in the Revised Budget. Adjustments are also required to ensure compliance with GAAP, GASB, and other regulatory, contractual or legal requirements. Please note any appropriation increases are fully offset by commensurate amounts of revenues, available cash, or fund balances in each Fund.

1. General Fund (100): An appropriation increase of \$134,847 is requested to fund reimbursement agreements with various developers for the preparation of Mitigated Negative Declarations.
2. Narcotics Forfeiture - Federal & Treasury (212 & 242): An appropriation increase of \$48,912 in Fund 212 and \$1,506 in Fund 242 is requested to appropriate FY 2020/21 Federal Asset Forfeiture revenues received from the Department of Justice.
3. Police Development Impact Fees (227): An appropriation increase of \$25,000 is requested to fund the upfitting of the City's Crisis Negotiation Team (CNT) van.
4. Retirement Supplemental (703): An appropriation increase of \$99,901 is requested to reimburse benefit payments per actuary report.
5. Section 115 Trust (716): An appropriation increase of \$48,461 is requested to cover fees related to the City's Section 115 Trust.
6. Energy Efficiency (807): An appropriation increase of \$29,660 is requested to appropriate remaining funds for street light retrofit expenditures.

7. Senior Mobility Program (963): An appropriation increase of \$43,214 is requested to appropriate additional Measure M revenues received for this program.
8. General Fund Transfers (100, 204, 314, and 324): An appropriation increase of \$46,462 is requested to increase transfers out of the General Fund and into the Fourth of July Fund (204) in order to close out the Fourth of July Fund. Section 617 of the City Charter requires the City to spend 15% of General Fund revenue on infrastructure. In order to comply with the City's Charter requirement and ensure adequate funding for essential capital needs, appropriations of \$4,400,000 and \$1,319,400 are requested to increase transfers into the Infrastructure (314) and Equipment Replacement (324) Funds, respectively, and to increase expenditure appropriations in both funds and carry remaining appropriations into FY 2021/22.
9. Revolving Loan and CDBG Funds (215 and 239): An appropriation increase of \$806,488 is requested to increase transfers out of the Revolving Loan Fund (215) into the Community Development Block Grant (CDBG) Fund (239) to reconcile funding with the Integrated Disbursement and Information Systems (IDIS) for the CDBG Program and show use of program income.
10. Senior Center Development Fund (319 and 314): An appropriation increase of \$16,664 is requested to increase transfers from the Senior Center Development Fund (319) into the Infrastructure Fund (314) to use the remaining Senior Center funds on eligible Police Headquarters Modernization project costs that were charged to the Infrastructure Fund.
11. HOME Funds (854 and 240): An appropriation increase of \$464,879 is requested to increase transfers from the HOME 06 Fund (854) into the HOME Fund (240) to show use of HOME program income.
12. Debt Service Mello Roos Fund (406 and 100): An appropriation increase of \$20,799 is requested to increase transfers from the Debt Service Mello Roos Fund (406) into the General Fund (100) for a year-end fund balance clean-up entry.

The City's Financial Policy requires adequate reserves to fund unforeseen litigation losses exceeding the amount budgeted in a year. Due to recent unfavorable legal judgements against the City related to the Kennedy Commission and SB35, staff is recommending that we also set aside \$3.65 million in the General Fund for Litigation Reserves, to supplement the \$350,000 that we previously assigned to the two cases. City Council approval is requested to assign \$3.65 million in the General Fund for Litigation Reserves to adequately fund the general liability claims.

**Environmental Status:**

Not applicable.

**Strategic Plan Goal:**

Non Applicable - Administrative Item

**Attachment(s):**

1. Fiscal Year 2020/21 Year-End Budget Adjustment by Fund