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TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer A. Maguire
Scott P. Johnson

SUBJECT: FISCAL YEAR 2008-2009 GENERAL
FUND ENDING FUND BALANCE

DATE: January 7, 2010

Approved

Date

1/7/10

INFORMATION MEMO

During the review of the City's 2008-2009 Comprehensive Annual Financial Report (CAFR), Mayor Reed requested information regarding whether the 2008-2009 General Fund unrestricted ending fund balance presented in the CAFR was available to spend on other projects or for other purposes. In response, this memorandum describes how the ending fund balance has been allocated as part of the 2009-2010 budget process and why it is not available to spend on other projects or for other purposes.

As noted on page 22 on the 2008-2009 CAFR, the General Fund unrestricted ending fund balance as defined by Generally Accepted Accounting Principals (GAAP) was \$178.8 million. On a budgetary basis, the ending fund balance was \$173.2 million. The reconciliation between the GAAP and budgetary fund balance is found on page 108 of the CAFR.

The budgetary ending fund balance of \$173.2 million was allocated in two steps: an estimated ending fund balance of \$153.0 million was used to the balance the 2009-2010 Adopted Budget; then, once the actual results for 2008-2009 were known, the \$20.2 million additional ending fund balance was allocated as part of the 2008-2009 Annual Report Clean-up and Budget Adjustment transactions approved by the City Council on October 20, 2009. The table below summarizes how the 2008-2009 ending fund balance was allocated.

Allocation of 2008-2009 General Fund Ending Fund Balance
(\$ in millions)

Used as part of the 2009-2010 Adopted Budget	
Earmarked Reserves (Unexpended/Rebudgeted)	\$ 54.6
Contingency Reserve	30.7
Excess Revenue/Expenditure Savings,	23.0
Liquidation of Prior Year Encumbrances	
Expenditure Rebudgets	44.7
Estimated Ending Fund Balance	\$153.0
Allocated as part of the 2008-2009 Annual Report	
Clean-Up Actions	\$ 6.9
Budget Adjustments	13.3
Additional Ending Fund Balance	\$ 20.2
Total Budgetary Ending Fund Balance	\$173.2

The **Estimated Ending Fund Balance**, estimated at the time the annual budget is developed, is utilized each year as one of the sources available for balancing the next year's budget. After the fiscal year has ended and the actual revenue and expenditure results are known, the actual ending fund balance is determined. The **Additional Ending Fund Balance** is the difference between the actual ending fund balance and the estimated ending fund balance. Any additional fund balance is allocated each year as part of the Annual Report Clean-up and Budget Adjustment process. The following provides a brief description of the various uses of the 2008-2009 General Fund ending fund balance shown in the table above.

Fund Balance Assumed in 2009-2010 Adopted Budget (\$153.0 million)

- The **Earmarked Reserves** (\$54.6 million) are commitments budgeted for a particular purpose but not authorized for immediate use. Some of the larger commitments in this category include the Workers' Compensation/General Liability Reserve, Economic Uncertainty Reserve, Neighborhood Investment Fund Reserve, and the 2009-2010 Future Deficit Reserve. It was assumed that a portion of these reserves, such as the 2009-2010 Future Deficit Reserve, would be liquidated and used in balancing the 2009-2010 Adopted Budget.
- The **Expenditure Rebudgets** category (\$44.7 million) includes unspent or unencumbered prior year funds reauthorized for the same purpose as previously approved, usually as a result of multi-year program implementation. Examples include the Watson Park Clean-up and Restoration project, the appropriation for general liability claims, and fire apparatus replacement and repair. A policy decision could be made to not proceed with these projects/uses.
- The **Contingency Reserve** (\$30.7 million), per City Council policy, is established at a level sufficient to maintain a reserve of 3% of expenditures. To put this reserve into perspective, this amount is approximately enough to cover General Fund payroll costs for three weeks.
- **Excess Revenue/Expenditure Savings, Liquidation of Prior Year Encumbrances** (\$23.0 million) represent the amount of savings that were expected to be generated by the end of the 2008-2009. These savings were programmed as a funding source that was allocated as part of the 2009-2010 Adopted Budget.

Additional Fund Balance Allocated as part of the 2008-2009 Annual Report (\$20.2 million)

- **Clean-Up Actions** (\$6.9 million) include rebudget adjustments to complete existing projects and replenish reserves in 2009-2010 (the majority of which were the Development Fee Program reserves of \$4.3 million) and , technical adjustments to align revenues and/or expenditures among appropriations and funds for previously approved budget actions, and the reconciliation of the development fee programs.
- **Budget Adjustments** (\$13.3 million) include actions approved to address urgent fiscal/program needs and to correct errors discovered in the Adopted Budget. Urgent

HONORABLE MAYOR AND CITY COUNCIL

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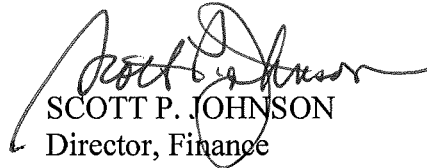
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fiscal/program needs addressed as part of the 2008-2009 Annual Report included the \$10.7 million reduction in the 2009-2010 Sales Tax revenue estimate, the addition of \$5.5 million to the Economic Uncertainty Reserve, and \$0.7 million in additional funding to address the impact of employee redeployments (the Vacancy/Filled Position Elimination Impacts Reserve). The \$13.3 million in available fund balance was not sufficient to address all of these urgent needs. As a result, it was necessary to reduce existing General Fund allocations by \$3.9 million to generate sufficient funding to cover these needs.



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