



Office of the City Manager

Date: November 10, 2022  
To: Budget & Finance Policy Committee  
From: Dee Williams-Ridley, City Manager  
Submitted by: Sharon Friedrichsen, Budget Manager  
Subject: Amendment: FY 2023 Annual Appropriations Ordinance

### RECOMMENDATION

Request that the Budget & Finance Policy Committee:

1. Discuss the City Manager's recommended carryover and adjustment items and determine funding allocations for inclusion in the Amendment to the FY 2023 Annual Appropriations Ordinance based on re-appropriation of committed FY 2022 funding and other adjustments since July 1, 2022.
2. Authorize staff to present the approved Amendment to the FY 2023 Annual Appropriations Ordinance to the full City Council on December 13, 2022, for consideration and adoption.

### FISCAL IMPACTS OF RECOMMENDATION

On June 28, 2022 the City Council adopted the FY 2023 Budget, authorizing gross appropriations of \$754,176,624 and net appropriations of \$625,939,999 (net of dual appropriations).

The recommendation to the first amendment to the Annual Appropriations Ordinance totals \$176,408,562 (gross) and \$170,147,023 (net), increasing the gross appropriations to \$930,585,186 and net appropriations to \$789,255,512 and represents the re-authorization of funding previously committed in FY 2022 and some new expenditures including new grant fund appropriations. The recommendations in this report also include funding for a number of capital projects. Funding is recommended for the following:

1. Encumbered contract obligations from FY 2022 totaling \$110,628,784;
2. Re-appropriating committed, unencumbered FY 2022 funding for all funds in the amount of \$42,653,468; and
3. Changes to fund appropriations primarily due to receipt of new grants and use of available fund balances adjustments in the amount of \$23,126,310.

The changes to the General Fund totals \$20,848,769 which includes encumbrances of \$12,162,503, unencumbered carryover requests of \$6,351,969, and adjustments of \$2,334,297. The Capital Improvement Fund increases by \$9,839,894 and includes encumbrances of \$3,234,486, unencumbered carryover requests of \$6,520,561, and adjustments of \$84,847.

### BACKGROUND

The Annual Appropriations Ordinance (AAO) establishes the expenditure limits by fund for FY 2023. Throughout the year, the City takes actions that amend the adopted budget. These may include, but are not limited to, the acceptance of new grants, revisions to existing grants, adjustments to adopted expenditure authority due to emergency needs, and transfers in accordance with Council's fiscal policies.

The adopted budget is also amended annually to reflect the re-appropriation of prior year funds for contractual commitments (i.e. encumbrances) as well as unencumbered carryover of unexpended funds previously authorized for continuation of capital projects, and for one-time, non-recurring purposes. These budget modifications are periodically presented to the Council in the form of an Ordinance amending the Annual Appropriations Ordinance, which formally requires a two-thirds vote of the City Council.

When Council adopts an appropriations ordinance (budget), it is based on projected revenues and expenditures. If fund balances do not support the requested level of expenditures, no carryover is recommended.

The proposed changes, presented in their entirety in Exhibit A, are summarized as follows:

	<b>Encumbered Recommended</b>	<b>Unencumbered Recommended</b>	<b>Other Adjustments</b>	<b>Total</b>
General Fund (011)	\$ 12,162,503	\$ 6,351,969	\$ 2,334,297	\$ 20,848,769
Capital Improvement Fund (501)	\$ 3,234,486	\$ 6,520,561	\$ 84,847	\$ 9,839,894
All Other Funds	\$ 95,231,795	\$ 29,780,938	\$ 20,707,166	\$ 145,719,900
<b>Total</b>	<b>\$ 110,628,784</b>	<b>\$ 42,653,468</b>	<b>\$ 23,126,310</b>	<b>\$ 176,408,562</b>

### **Carryover Process**

Departments were asked to submit information regarding the reasons for the unencumbered carryover requests to assist staff in determining which funds should be carried into FY 2023. In prior years, funds have been approved for carryover from one year to the next based on funding availability.

This report recommends approximately \$42.65 million in unencumbered carryover for Council review and approval, representing funding for priority projects and programs.

### **Types of Carryover**

FY 2022 Encumbrance Rollovers, totaling \$110,628,784 reflect contractual obligations entered into in fiscal year 2022 which had not been paid as of June 30, 2022. Funding for these “encumbered” commitments is brought forward into the current fiscal year to provide for payment of these obligations. The General Fund represents around 11% of the total encumbered rollovers. The FY 2023 Adjusted Budget currently includes the carry forward of FY 2022 encumbrances, since the City is obligated to pay for these commitments.

FY 2022 Unencumbered Carryover totals \$42,653,468 and reflects the carryover of funding appropriated by the City Council for specific purposes that had not been encumbered by year-end. The carryover for the General Fund represents around 15% of the total recommended unencumbered carryover amount and is for priority projects. Capital Improvement Fund carryovers are for continuing projects and makes up 15% of the unencumbered carryover. The remaining 70% represents carryover items in non-discretionary funds.

FY 2023 Other Adjustments total \$23,126,310 and reflect actions taken by the City Council with the adoption of the FY 2023 budget as well as adjustments required or approved since the budget adoption. Many of these adjustments are within non-discretionary funds and reflect the appropriation of grant funding and the use of available fund balance.

### **CONCLUSION**

The Amendment to the FY 2023 Annual Appropriation Ordinance allows the City to augment the FY 2023 Adopted Budget, re-appropriating funds from FY 2022 to FY 2023 for contractual commitments that need to be paid and revising the budget to reflect approved carryover requests in both discretionary and non-discretionary funds. Staff is presenting carryover recommendations for projects that are either currently under contract, represent Council priorities, and/or are considered critical for ongoing operations. The Amendment to the FY 2023 Annual Appropriations Ordinance is scheduled to go to the full City Council for adoption on December 13, 2022.

Any changes made by the Council as part of the adoption of the FY 2022 Year-End/FY 2023 1<sup>st</sup> Quarter Report will need to be incorporated into the numbers presented in this report to reflect these additional appropriations.

### **ENVIRONMENTAL SUSTAINABILITY**

There are no identifiable environmental effects or opportunities associated with the act of adopting the budget/appropriations ordinance/amendments. Actions included in the budget will be developed and implemented in a manner that is consistent with the City’s environmental sustainability goals and requirements.

CONTACT PERSON

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Attachment:

1. FY 2022 Recommended Carryover and FY 2023 Recommended Adjustments (AAO#1)