

CITY OF DANA POINT
AGENDA REPORT

Reviewed By:	
DH	_____
CM	_____
CA	_____

DATE: AUGUST 24, 2005

TO: CITY MANAGER/HONORABLE MAYOR AND CITY COUNCIL

**FROM SHARIE APODACA, DIRECTOR OF ADMINISTRATIVE SERVICES
ANDY GLASS, ACCOUNTING MANAGER**

SUBJECT: APPROVAL OF BUDGET AMENDMENTS FY 2005-06

RECOMMENDED ACTION:

Approve and adopt a resolution amending the General Fund operating budget by authorizing the carryover and re-appropriation of certain unencumbered fund balances from the FY 2004-05 Budget to the FY 2005-06 Budget.

APPROVE AND ADOPT A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DANA POINT, CALIFORNIA AMENDING THE FISCAL YEAR 2005-06 BUDGET.

ISSUES:

Certain funds budgeted in FY 2004-05 either in part or in full for certain projects were not expended and are needed in order to initiate or complete projects in FY 2005-06. Council action and approval is required to carryover unencumbered funds. There are also identified impacts to the City's revenue budget as a result of the recent adoption of the California state budget.

BACKGROUND:

On June 22, 2005, the City Council adopted a two-year Operating and Capital Improvement Budget for Fiscal Years 2005-06 and 2006-07. Certain unencumbered funds remain in the 2004-2005 Operating Budget that staff desires to retain and carryover to FY 2005-06 to complete projects and programs.

DISCUSSION:

At the close of FY 2004-05, all encumbered funds, which represent a legal or contractual fiscal obligation of the City, were automatically carried over to FY 2005-06. However, in order to re-budget any unencumbered FY 2004-05 funds into FY 2005-06, they must be identified and carried over to the new fiscal year. Council authorization is required to facilitate the carryover of funds.

A year-end review of the FY 2004-05 Budget indicates that unencumbered funds budgeted for specific projects related to city facility improvements, marketing efforts and City Attorney funds were not expended due to projects not initiated or completed by June 30, 2005.

Budget Carryovers

1. Facilities/Space Planning: City Council approved the transfer of \$500,000 from the Police Services operating budget to the Facilities Capital Outlay account at a regular Council Meeting on October 13, 2004. The transferred funds were not expended in FY 2004-05 and therefore must be carried over into the 2005-06 Budget in order to initiate and complete the Police Services and Administration Suite Remodel. Additionally, funds budgeted in FY 2004-05 for restroom floor and fixture replacement and kitchen plumbing at the Community Center and Administration lobby improvements were not expended. These projects were deferred until the current fiscal year. Therefore, staff is requesting Council authorization to carryover the following unexpended funds to complete the aforementioned projects in FY 2005-06:

Admin. Services/Facilities (Acct# 95-303) -----	\$500,000
Admin. Services/Facilities (Acct # 95-303)-----	\$108,692
Admin. Services/Facilities (Acct # 95-203)-----	\$35,408

2. Marketing: Staff is also requesting authorization to carryover unexpended funds budgeted in FY 2004-05 intended for the enhanced marketing and promotion of the City (i.e. creation of Dana Point Marketing Council and Town Center Promotion) as follows:

Non-Departmental/Non-Departmental (Acct # 99-261)-----	\$75,000
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3. Attorney Funds: On April 27, 2005 the Council took action to transfer \$50,000 from the Undesignated General Reserve Fund to the City Attorney Budget for legal expenses related to a combination of normal legal expenses and unanticipated, non-reimbursable legal expenses primarily associated with a lawsuit filed by Diedrich's Coffee. Staff is requesting City Council authorization to carryover any of those unspent funds from the FY 2004-05 City Attorney/Litigation Budget to the FY 2005-06 Budget for expenses related to the on-going Diedrich's case:

Risk Management/Litigation (Acct # 97-409)-----	\$18,615
City Attorney (Acct # 71-231)-----	\$13,458

4. User Fee/Cost Study: On March 9, 2005 the City Council approved the transfer of \$50,000 from the Undesignated General Fund to the Administrative Service Budget for professional services to perform a comprehensive user fee and

cost study for all City departments. Since the fee study was not initiated last fiscal year as intended, staff is requesting these funds be carried over to FY 2005-06 to accomplish this project. It is anticipated the fee study will be initiated within the next few weeks.

Administrative Services (Acct # 21-223)-----\$50,000

5. Arthur Warren Tree Settlement: \$175,000 was awarded to the City of Dana Point in July 2005 as a result of the Arthur Warren lawsuit over the illegal trimming of pine trees on City park property. Part of the settlement (\$65,000) was deposited into the FY 2004-05 litigation reimbursement revenue account for legal fees; and the remaining portion of \$110,000 was deposited into the FY 2004-05 Undesignated General Fund. In order to utilize these funds for tree purposes in fiscal year 2005-06, it is requested that the \$110,000 be carried over and transferred to the Parks/Public Works department budget.

Public Works Parks (Acct #55-247)-----\$110,000

Total Carryovers: \$911,173

State Loan Repayment and Prop. 42 Funding

Proposition 42 Funding- This proposition was passed in 2002 by 69% of statewide voters. It dedicated the sales tax on gasoline to transportation projects, including repair and maintenance of local streets and roads. But it also allowed the State to shift funding to the State general fund during times of State fiscal stress. FY 2005-06 will mark the first time since Proposition 42 passed that the \$1.3 billion sales tax on gas will be spent on transportation. According to the State Controller's Office, cities will begin to receive quarterly Proposition 42 allocations beginning in October 2005. Prop 42 funds must be used only for street and highway pavement maintenance, rehabilitation, reconstruction and storm damage repair. For Proposition 42 purposes, maintenance means patching and overlay, and sealing. Reconstruction includes overlay, sealing or widening of the roadway to bring the roadway width to the desirable minimum pavement width consistent with accepted design standards for local streets and roads, but does not include widening for increasing the traffic capacity of a street or road. The City of Dana Point will receive \$153,643 in Prop. 42 funding for FY 2005-06. In order to utilize these State funds for transportation improvements, a separate fund must be established for auditing purposes. Therefore, staff recommends a "Proposition 42 Road Repairs Fund" in the amount of \$153,643 be established within the Capital Improvement Program (CIP) Budget.

Early VLF Repayment- The State Controller announced on July 22, 2005 that the "VLF Gap Loan" money would be fully repaid to cities early. A total of \$1.2 billion

was disbursed statewide to California cities. The State issued the City of Dana Point a check in the amount of \$614,650 in July of 2005. The money will be posted to FY 2005, and deposited to the Undesignated General Fund. NOTE: The State had a legal obligation to repay the VLF Gap Loan to cities by August 2006. This revenue was therefore already budgeted in the FY 2006-07 total Motor Vehicle In-Lieu revenue estimate. At the time of budget preparation, VLF loan amount was estimated to be \$652,000. This action is being provided for information purposes and does not require a budget adjustment at this time.

FISCAL IMPACT

Approval of the proposed carryovers will increase the FY 2005-06 General Fund expenditure budget by \$911,173.

A "Proposition 42 Road Repair Fund" will be added to this fiscal year Capital Improvement Projects Budget which will increase expenditures in the amount of \$153,643. The \$153,643 in Proposition 42 revenues will be deposited into the Undesignated General Fund to offset the expenditure increase.

ALTERNATIVE ACTIONS:

Other alternatives as identified by Council.

ACTION DOCUMENTS:

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ACTION DOCUMENT A**RESOLUTION NO.**

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF DANA POINT, CALIFORNIA AMENDING
THE FISCAL YEAR 2005-06 BUDGET.

The City Council for the City of Dana Point does hereby resolve as follows:

WHEREAS, the City Council of the City of Dana Point continually strives to provide the highest quality of life for its citizens; and

WHEREAS, following duly given notice and prior to budget adoption, the City Council held public hearings on June 8, 2005 and June 22, 2005, receiving, considering and evaluating all comments; and

WHEREAS, on June 22, 2005, the City Council adopted a two-year Operating and Capital Improvement Budget for Fiscal Years 2005-06 and 2006-07; and

WHEREAS, as of June 30, 2005, certain funds budgeted in FY 2004-05 are unencumbered and remain necessary for the implementation or completion of vital programs or projects in FY 2005-06; and

WHEREAS, Council approval is required to carryover and re-appropriate unencumbered funds from one fiscal year to the subsequent fiscal year.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF DANA POINT DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The FY 2005-06 Budget is hereby amended as follows:

CARRYOVERS:

Expenditures		
01-95-20-0000-203	Equipment & Facility Maintenance	\$ 35,408.00
01-95-30-0000-303	Facility Improvements	\$108,692.00
01-95-30-0000-303	Police Services/Admin. Remodel	\$500,000.00
01-99-20-0000-261	Marketing	\$ 75,000.00
01-97-40-0000-409	Litigation	\$ 18,615.00
01-71-20-0000-231	City Attorney	\$ 13,458.00
01-21-20-0000-223	User Fee & Cost Study	\$ 50,000.00
01-55-20-0000-247	Street and Park Trees	\$110,000.00
	NET EXPENDITURE INCREASE	\$911,173.00

ADJUSTMENTS:

Revenues		
Undesignated General Fund	Prop. 42 Transportation Funding	\$153,643.00
Expenditures		
Capital Improvement Project (CIP) Budget	Prop. 42 Road Repairs Fund	\$153,643.00

SECTION 2. As previously approved by the City Council, the City Manager has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the legal authority to transfer appropriations from one function or activity to another, within the same fund, without Council approval provided such changes would neither have a significant policy impact nor affect budgeted year-end fund balances. The City Council has the legal authority to amend the budget at any time during the fiscal year.

SECTION 3. Budgets are adopted bi-annually by the City Council and prepared for all governmental funds in accordance with their basis of accounting. All governmental funds are accounted for using the modified accrual basis of accounting.

SECTION 4. The City Clerk shall certify to the passage and adoption hereof.

PASSED, APPROVED, AND ADOPTED at a regular meeting of the City Council of the City of Dana Point, California, held on this 24th day of August, 2005.

WAYNE RAYFIELD, MAYOR

ATTEST:

ELIZABETH EHRING, City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF DANA POINT)

I, ELIZABETH EHRING, City Clerk of the City of Dana Point, California, DO
HEREBY CERTIFY the foregoing is a true and correct copy of Resolution No.
_____ adopted by the City Council of the City of Dana Point, California, at a
regular meeting thereof held on the 24th day of August, 2005, by the following vote:

AYES:

NOES:

ABSENT:

ELIZABETH EHRING, CITY CLERK