



Office of the City Manager

ACTION CALENDAR

November 19, 2024

To: Honorable Mayor and Members of the City Council
From: Paul Buddenhagen, City Manager
Submitted by: Sharon Friedrichsen, Budget Manager, City Manager's Office
Subject: Amendment: FY 2025 Annual Appropriations Ordinance

RECOMMENDATION

Adopt first reading of an Ordinance amending the FY 2025 Annual Appropriations Ordinance No. 7,926–N.S. for fiscal year 2025 based upon recommended re-appropriation of committed FY 2024 funding and other adjustments authorized since July 1, 2024.

FISCAL IMPACTS OF RECOMMENDATION

On June 25, 2024 the City Council adopted the FY 2025 Budget, authorizing gross appropriations of \$793,319,711 and net appropriations of \$686,125,119 (net of dual appropriations).

This first amendment to the Annual Appropriations Ordinance, *if approved*, would total \$291,018,200 (gross), increasing the gross appropriations to \$1,084,337,911 and represent the re-authorization of funding previously committed in FY 2024 and new expenditures added after the adoption of the FY 2025 Budget on June 25, 2024, including new grant fund appropriations.

Requested funding includes:

1. Encumbered contract obligations from FY 2024 totaling \$111,061,845;
2. Re-appropriated unencumbered FY 2024 funding of \$137,703,017; and
3. Changes to fund appropriations, primarily due to receipt of new grants and use of available fund balances, in the amount of \$42,253,338. *However, this amount also includes \$4,575,706 in new General Fund requests for FY 2025.*

The proposed changes to the General Fund totals \$48,143,108, which includes encumbrances of \$30,334,347, unencumbered carryover requests of \$13,233,055, and adjustments of \$4,575,706. These amounts are subject to change based upon the City Manager's recommendations and the recommendations of the Budget and Finance Policy Committee.

BACKGROUND***Purpose of Amendment***

The Annual Appropriations Ordinance (AAO) establishes the expenditure limits by fund for FY 2025. 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 other funding needs that occur after budget adoption, 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 and other specific 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 or other adjustment is recommended.

FY 2024 Official Year-end closing is still pending. However, in order to assess the amount of funding that is available for carryover and adjustment requests, a preliminary Unassigned Fund Balance calculation, based on unaudited estimated actuals, was presented at the November 7, 2024 Budget and Finance Policy Committee meeting. The City is estimated to end FY 2024 General Fund with a \$15 million shortfall, thus requiring the use of the fund balance. This requires requests for unencumbered carryovers and other adjustments to be evaluated and prioritized for items that are critical for public health and safety, relate to mandated functions and/or are time sensitive.

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 2025. In prior years, funds have been approved for carryover from one year to the next based on funding availability.

Types of Carryover

FY 2025 Encumbrance Rollovers, totaling \$111,061,845 reflect contractual obligations entered into in fiscal year 2024 which had not been paid as of June 30, 2024. Funding for these "encumbered" commitments is brought forward into the current fiscal year to provide for payment of these obligations.

FY 2025 Unencumbered Carryover totals \$137,703,017 and reflects the carryover of funding from FY 2024 appropriated by the City Council for specific purposes that had not been encumbered by year-end.

FY 2025 Other Adjustments total \$42,253,338 and reflect 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.

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

	Encumbered Recommended	Unencumbered Recommended	Other Adjustments	Total
General Fund (011)	\$ 30,334,347	\$ 13,233,055	\$ 4,575,706	\$ 48,143,108
Capital Improvement Fund (501)	\$ 6,521,803	\$ 20,101,009	\$ 440,000	\$ 27,062,813
All Other Funds	\$ 74,205,694	\$ 104,368,953	\$ 37,237,632	\$ 215,812,279
Total	\$ 111,061,845	\$ 137,703,017	\$ 42,253,338	\$ 291,018,200

This report will be discussed with the Budget & Finance Policy Committee at their November 7, 2024 and November 14, 2024 meetings.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

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.

RATIONALE FOR RECOMMENDATION

The recommendation allows the City to amend the FY 2025 Adopted Budget, re-appropriating funds from FY 2024 to FY 2024 for contractual commitments that need to be paid and revising the budget to reflect approved carryover requests in both discretionary and non-discretionary funds.

The recommendations in this report deal with the unencumbered carryover in the funds listed above and the other adjustments in all funds. Staff has conducted a detailed analysis of the individual carryover requests submitted by departments and is presenting carryover recommendations for projects that are either currently under contract, represent Council priorities, and/or are considered critical to fund at this time.

ALTERNATIVE ACTIONS CONSIDERED

No other alternatives have been considered.

CONTACT PERSON

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Agenda Item Attachment

This attachment will be provided to the City Council and the public prior to the meeting (including posting to the city website) in accordance with the requirements for revised and supplemental materials in the Open Government Ordinance.

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The City of Berkeley, City Council's Web site:
<http://berkeleyca.gov>