

REPORT TO

CITY COUNCIL

ON THE

CITYWIDE FISCAL YEAR 2005 FIRST QUARTER BUDGET

05-103B



***City of Albuquerque
Office of Internal Audit and Investigations***

INTRODUCTION

City Ordinance 2-10-11 (B) ROA 1994 requires the Internal Audit Division to perform a quarterly review of City expenditures and encumbrances for each fiscal year. This report is presented to the City Council to satisfy the First Quarter of Fiscal Year 2005 requirement.

The projections for the first quarter of fiscal year 2005 (FY05) are attached as Tables A and B. These projections were compiled by the Office of Management and Budget (OMB). The FY05 approved budget numbers on these Tables do not include the mid-year clean-up resolution passed by Council on February 23, 2005. City Ordinance allows the Mayor to adjust the City's budget as necessary for no greater than \$100,000 or 5% of a program's appropriation, whichever is less. For each anticipated over-expenditure in excess of \$100,000 *or* 5% of appropriations, we requested an explanation as to what is generating the projected over-expenditure. We then assessed management's plans, if any, to resolve the anticipated over-expenditure. We also requested an explanation from programs whose projected expenditures were under the appropriated amount by \$100,000 *and* 5%.

RESOURCES AND FUND BALANCE

The following is an analysis of changes in General Fund revenues, appropriations and fund balance.

	FY 05 APPROVED BUDGET*	FY 05 1 st QUARTER PROJECTIONS
	(000's)	(000's)
Resources:		
Revenue**	\$ 393,124	\$ 393,693
Beginning fund balance	<u>51,587</u>	<u>64,786</u>
Total resources	444,711	458,479
Appropriations/Expenditures:	401,803	399,336
Fund Balance	<u>\$ 42,908</u>	<u>\$ 59,143</u>
Fund balance adjustments	<u>(486)</u>	<u>(486)</u>
Fund balance reserves	<u>40,078</u>	<u>40,078</u>
Available fund balance	<u>\$ 2,344</u>	<u>\$ 18,579</u>

* Does not include the mid-year clean-up resolution

** Revenues are projected, actual revenues may vary

PROJECTED OVER-EXPENDITURES

The following are explanations provided by the responsible departments for programs anticipated to overspend \$100,000 or 5% of appropriations, whichever is lower.

GENERAL FUND PROGRAMS

There are 102 appropriated General Fund operating programs. The General Fund is used to account for resources and expenditures traditionally associated with governments that are not required to be accounted for in another fund. Appropriations are at the program level, the level at which expenditures may not legally exceed appropriations. The following General Fund programs are in jeopardy of exceeding budget appropriations:

Program 23504 Cultural Services Department Museum program is projected to overspend its budget of \$3,992,000 by \$400,000. The projection includes expenditures related to the third phase of the Spanish Art Exhibition. The exhibit would not be presented until fiscal year 2006; however, vendor contracts need to be negotiated during FY05. The initial mid-year clean-up resolution included a request for an additional \$400,000 appropriation for Spanish 3. This amount was reduced to \$100,000 in the amended mid-year clean-up resolution which was passed by Council on February 23, 2005. Also, the Resolution states the funds should be used toward the development of a Native American Art exhibit instead.

Program 25590 Department of Finance and Administrative Services Tourism/Convention Center program is projected to overspend its budget of \$2,041,000 by \$380,000. A one-time \$400,000 payment was received in late fiscal year 2004 from the vendor that operates the convention center for the purchase of capital improvements. A request to appropriate the \$400,000 was included in the mid-year clean-up resolution that has been approved by Council.

Program 27525 Albuquerque Fire Department CIP Funded Employees program is projected to overspend its budget of \$92,000 by \$67,000. The CIP funded positions have been approved and are funded through a reimbursement from capital projects fund 305. The Fire Department is waiting to adjust the appropriation until further in the year to more accurately project the anticipated expenditures.

Program 51503 Albuquerque Police Department (APD) Central Support Services program is projected to overspend its budget of \$28,332,000 by \$428,000. APD management attributes the projected over-expenditure to increased costs in repair and maintenance contracts, the rise in fuel costs and unbudgeted overtime costs. The mid-year clean-up approved by Council included a request to move \$400,000 from the Neighborhood Policing program to Central Support Services.

NON-GENERAL FUND PROGRAMS

There are 23 Non-General Operating Funds with 70 appropriated programs. The Non-General Fund programs at risk of overspending are as follows:

Programs 21502 and 21503 - *Metropolitan Detention Center (MDC) Administrative and Corrections/Detention* programs are projected to overspend by \$226,000 and \$660,000, respectively. MDC management reports the electric and gas utility costs have come in higher than anticipated for the new facility causing the Administrative program to project an over-expenditure for FY05.

The projected over-expenditure in the Corrections/Detention program is primarily caused by two factors: increased supply usage and a high employee vacancy rate resulting in increased overtime costs. A direct correlation exists between supply costs (food, medicine, clothing, etc.) and the inmate population. The FY05 budget estimates were based on a population of 2,100 inmates; however, during the first quarter the population was approximately 2,350 inmates. Specifically, prescription medicine costs have experienced a significant cost increase over the prior year.

The high vacancy rate is due to numerous factors including Correction Officers' being off the job on injury time, vacation and military leave. Each pod at MDC is required to have a minimum number of Officers on duty. These posts must be filled by existing Officers' working overtime.

If the first quarter inmate population numbers continue throughout FY05, it appears the Corrections/Detention program would overspend its appropriation. The City and Bernalillo County share in the costs to run MDC. Accordingly, if MDC overspends it will be necessary for the City and Bernalillo County to appropriate additional funds.

The mid-year clean-up resolution submitted to Council includes a \$400,000 request for MDC capital equipment and vehicles. As noted above, this additional appropriation would be contingent upon the approval of Bernalillo County.

Program 54501 - *The Solid Waste Management Department (SWMD) Collections* program in the Refuse Disposal Fund 651 is projected to overspend its appropriated budget of \$13,752,000 by \$604,000. SWMD management reports that the increase in fuel costs is responsible for the projected over-expenditure in FY05. Fuel was budgeted at an average cost of \$.89/gallon for FY05; however, the actual cost for the first quarter was approximately \$1.28/gallon. Despite salary savings and other cut-backs SWMD plans to make, it appears the Collections program will be overspent for FY05.

Program 57502 - *The Transit Department Operations* program in Transit Fund 661 is projected to overspend its budget of \$21,562,000 by \$635,000. Transit management attributes the projected over-expenditure to increased fuel and repair and maintenance

costs. The mid-year clean-up included an additional \$476,000 appropriation and the transfer of an anticipated reversion of \$194,000 from the Sun Van program to Operations.

Program 28503 – The Fleet Management program in Fund 725 is projected to overspend its \$8,701,000 budget by \$1,182,000. Fleet Management reports the projected over-expenditure is caused by the continual increase in fuel costs. As this fund is an internal service fund, all costs are recovered from the user departments. An appropriation of \$1,025,000 from fund balance was included in the mid-year clean-up resolution approved by Council for anticipated fuel cost increases.

Program 47550 – The Insurance and Administration program in the Employee Insurance Fund 735 is projected to overspend its \$37,271,000 budget by \$359,000. Human Resources attributes the projected overexpenditure to the growth in membership. This fund is also an internal service fund that recovers its costs from other City departments. An appropriation of \$359,000 from fund balance was included in the mid-year clean-up that was approved by Council.

PROJECTED UNDER-EXPENDITURES

The following are explanations provided by the responsible departments for programs anticipated to under spend their budget by \$100,000 and 5% of appropriations.

GENERAL FUND PROGRAMS

Program 23510 – Cultural Services Department CIP Biopark program is projected to under spend its budget of \$1,945,000 by \$479,000. Biopark management reports that many temporary positions were vacant at the end of the first quarter resulting in a large projected under-expenditure in this program. Some of the CIP positions have since been filled and management does not anticipate the reversion to be this large.

Programs 31504 and 31506 - Family and Community Services' (FCS) Provide Early Childhood Education and the Provide Mental Health Services programs are projected to under spend their budgets by \$386,000 and \$258,000, respectively. FCS management reports that over 80% of the expenditures of the Provide Early Childhood Education program are personnel costs. The employee vacancy rate was unusually high during the first quarter of FY05 leading to the large projected under-expenditure. Many of these positions have since been filled.

The Provide Mental Health Services program receives a portion of the ¼ cent Public Safety Tax. FCS management reports that much staff time was spent during the first quarter developing the programming. Also, the program got a late start on the procurement process to get provider contracts in place. Several of these contracts were approved by Council during the second and third quarters so FCS anticipates an increase in expenditures during the fourth quarter.

Program 51502 – Albuquerque Police Department’s Investigative Services program is projected to under spend its \$20,146,000 budget by \$1,075,000. APD fiscal management anticipates the reversion to be significantly lower than the first quarter projected amount.

NON-GENERAL FUND PROGRAMS

Program 57504 – Special Events program in the Transit Operating fund 661 was projected to under spend its budget of \$293,000 by \$117,000 or 40%. The primary event this program serves is the State Fair Park & Ride facilities. As the State Fair took place during the first quarter of FY05, the majority of the program’s expenditures have been recorded. First quarter projections initially anticipated a reversion of \$117,000 in this program; however, expenditures through January 31, 2005 total approximately \$292,000, leaving a reversion balance of approximately \$1,000. A review of these expenditures indicated that they were Park & Ride related and should remain in the Special Events program. There are; however, approximately \$33,000 of other employee benefit, PERA and Retiree Health Care expenditures that should be re-classified to the appropriate program. The amended mid-year clean-up that was approved did not anticipate a reversion from this program.

CONCLUSION

Although a few programs are in jeopardy of exceeding appropriations, most projected over-expenditures appear to be manageable and will not have a negative impact requiring additional appropriations if the mid-year clean-up bill is approved. Based on the information provided by the departments **it appears that 3 programs will likely require additional appropriations.** These programs are:

<u>Department</u>	<u>Projected Over-Expenditure</u>
Corrections Department – Administration	\$ 226,000
Corrections Department – Corrections/Detention	\$ 660,000
Solid Waste Department – Collections	\$ 604,000
 TOTAL	 \$ 1,490,000

EXECUTIVE RESPONSE FROM THE CAO

“The Executive appreciates your review of the First Quarter Fiscal Year 2005 expenditure projections and agrees that the three programs referenced appear to be most likely to require additional appropriations. As you know, first quarter projections, based upon only three months of data, are not necessarily reliable. Spending patterns can be altered to reduce the severity if not eliminate the overexpenditure.”

“If the level of the overexpenditure is reduced, the two corrections programs may be ‘cleaned-up’ at the end of the fiscal year with \$506,000 of unanticipated additional revenue already received in the Corrections and Detention Fund 260 from SCAPP and Southwest Border funding.

“The problem in Solid Waste collections is difficult to forecast and control as it depends on fuel prices. Fortunately, revenue in the Refuse Disposal Enterprise Fund 651 is coming in stronger than forecast in the FY/05 budget. This situation may need to wait until the end of the fiscal year to be rectified with additional revenue.

“We will monitor these program expenditures and revenues quarterly and report to you as required by ordinance.”

Xc: Accountability in Government Oversight Committee Members
Martin Chavez, Mayor
James B. Lewis, Chief Administrative Officer
Nicholas S. Bakas, Chief Public Safety Officer
Gail Reese, Chief Financial Officer
Ed A. Adams, Chief Operations Officer
City Councilors
Laura Mason, Director, Council Services Department
Margaret Nieto, Policy Analyst, Council Services Department
Sandy Doyle, Director, Department of Finance & Administrative Services
Anna Lamberson, Budget Officer
Clarence Lithgow, Director, Solid Waste Management Department
Harry Tipton, Director, Corrections and Detention Department
File

[..\Final Audits for Web\05-103b. 1st qtr. Attach.A-GF vmd.pdf](#)

[..\Final Audits for Web\05-103b. 1st qtr. Attach B vmd.pdf](#)