City of Phoenix

Report

Agenda Date: 6/14/2023, **Item No.** 41

Amend Ordinance S-48719 Adopting the 2022-23 Annual Budget for Operating Funds (Ordinance S-49812)

An ordinance (**Attachment A**) amending Ordinance S-48719 adopting the 2022-23 Annual Budget to authorize reallocating appropriations among lawfully available appropriations to ensure the continued operation of the City of Phoenix in the payment of necessary expenses.

Summary

This legally required amendment to the 2022-23 Operating Budget will allow the City to close out the current fiscal year's budgetary accounts and proceed with the annual independent audit. This is a standard end-of-year process required to close the books.

State law precludes any expenditure not included in the budget even if additional funds become available. This means all expenditures require an appropriation. An appropriation is the formal recognition in the City's official accounting records that the City Council has approved spending authority. State law allows the City Council to transfer spending authority between line items in the adopted budget. This does not represent an actual transfer of funds, but rather, only transfers of spending authority between specific areas. As a result, the total bottom line budget amount for 2022-23 does not change.

To make sure all planned expenditures have appropriate spending authority, each year the Budget and Research Department brings to the City Council a request to amend the original budget amounts between specific areas at the end of each fiscal year. This is a normal part of the annual budget close-out process. Variances between estimated and actual expenditures that trigger the need to do these reallocated appropriations are usually caused by timing differences, such as expenditures originally planned for the early part of the 2023-24 fiscal year that actually occurred during the 2022-23 fiscal year. These timing variances can be quite large, especially when dealing with construction contracts. Allowing for these timing differences in our request for year-end budget amendments allows for bid awards and payments to vendors to proceed.

The amendments to the 2022-23 Operating Budget require City Council approval to move spending authority from areas where excess authority is available to other areas

where insufficient authority was originally provided due to normal changes during the year.

Decreases in 2022-23 appropriation authority are requested in the following:

- Federal and State Grant Funds due to the carryover of various grant awards to 2023-24, including Coronavirus State and Local Fiscal Recovery Funds (SLFRF) projects that are still in process.

Increases in 2022-23 appropriation authority are requested in the following:

- City Improvement Funds due to actual interest costs exceeding budgeted interest costs for Transportation 2050 revolver loan.
- Golf Course Funds as a result of increased usage of City golf courses, which increased operating and maintenance costs.
- Human Services Grant Funds for additional Emergency Rental Assistance (ERA) and other grant award receipts and the reallocation of ERA funds previously budgeted in Federal and State Grants.
- Neighborhood Protection Funds due to a significant increase in Police overtime costs compared to prior years.
- Other Restricted Funds as a result of payments to the Public Safety Personnel Retirement System. These payments, which are funded by Proposition 207 revenues, are part of the Council-approved pension funding policy.
- Public Safety Expansion Funds due to a significant increase in Police overtime costs compared to prior years.
- Regional Wireless Cooperative Funds as a result of less credits received because of an adjustment to operating and maintenance charges.
- Secondary Property Tax Funds for defeasance of outstanding General Obligation Bond debt, consistent with financial planning for the 2023 General Obligation Bond program.
- Water Funds due to significant price inflation on the cost of chemicals required for water treatment.
- The following fund to provide for minor year-end variances: Cable Communications.

These are balancing measures with a net impact of $0. The total appropriation remains unchanged.

Responsible Department
This item is submitted by City Manager Jeffrey Barton and the Budget and Research

Department.