



City Manager Lorie Tinfow contributes a monthly column to the *Pacifica Tribune* to connect with local residents and keep Pacificans informed on issues that are of current interest in the City of Pacifica. Below is the submission for the April 1, 2015 edition of the *Pacifica Tribune*, which focuses on the City's budget.

The City's budget process last year—my first as Pacifica's City Manager—was designed to be more transparent, with an easier to read and more comprehensive final budget document. By most accounts we accomplished that goal. As we begin developing the 2015-16 Budget, I want to recap some of the information I shared last year.

The budget process consists of balancing expected revenues and expenses from the many "funds" that make up the City's overall financial status. We spend most of our time focused on the "General Fund"—our largest single fund that covers most of our operations. General Fund revenues come from various sources (e.g., taxes, fees, permits, etc.) and the Council has a great deal of discretion about how to use the funds to meet community needs. The expenses shown in this fund include operations such as mowing lawns, patrolling the streets, paying bills, holding classes, issuing building permits, and responding to emergencies.

Our other funds—24 to be exact—are "special", mostly because the source of the funds has strings attached as to how the money is spent. We keep these outside the General Fund so we can properly track the accounting activity individually.

One of the issues that surfaced during a comprehensive budget review last year was that some of these funds had been drawn upon to cover emergency needs or to complete projects, in effect a "loan" from one fund to another. The total amount of these loans was roughly \$4 million. I reported this situation to the Council when I presented the 2014-15 budget and indicated that the funds would need to be repaid over time.

After the budget was adopted, I hired an outside CPA to review the City's finances to confirm our findings and to determine if there were any other issues that required attention. I know that some residents thought I was conducting a "forensic audit" but that's not the case. I believe we simply have had poor tracking of our funds, and am not suggesting wrongdoing.

There are three funds comprising the approximately \$4 million imbalance and I'll try to explain the situation with each.

First is Fund 38-Disaster Accounting, used when we respond to a catastrophic emergency. The most recent emergency was the cliff erosion at 380 Esplanade in 2010. We were required to take steps to stabilize the site and worked with the affected property owner to do so. We were reimbursed for 75% of the work by the California Emergency Management Agency (CalEMA). The current balance, approximately \$1 million, was borrowed from other funds to cover emergencies such as this one and needs to be repaid.

Second is Fund 22-General Capital Improvements which received a transfer in 2003 from Fund 9-Street Construction of \$2.2 million to cover capital projects newly completed or underway. Once again, that loan must be paid back.

Third, Fund 22 includes a separate negative balance for expenses associated with other prior projects, effectively a third loan between funds.

Together these three inter-fund loans make up the approximately \$4 million on which so much attention had been focused. Fortunately, balancing these accounts is not a problem that must be fixed overnight. It is however, one that the City Council and I are committed to resolve.
