

PROGRAM SUMMARY

DEPARTMENT

Contingencies

DEPARTMENT NO.

93

SOURCE OF FUNDS

	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>Percent Change</u>
General Fund	\$22,700,000	\$23,800,000	\$24,740,000	3.9%
Aviation	10,000,000	10,000,000	10,000,000	0.0
Civic Plaza	5,000,000	5,000,000	2,800,000	0.0
Development Services	1,500,000	1,500,000	2,500,000	66.7
Golf	50,000	50,000	50,000	0.0
Public Safety Enhancement	-	-	484,000	100.0
Solid Waste	2,000,000	3,000,000	6,000,000	100.0
Transit 2000	2,625,000	4,020,000	9,000,000	24.8
Wastewater	15,000,000	14,821,875	14,821,000	0.0
Water	<u>26,200,000</u>	<u>26,200,000</u>	<u>30,000,000</u>	<u>14.5</u>
TOTAL	<u>\$85,075,000</u>	<u>\$88,391,875</u>	<u>\$100,395,000</u>	<u>13.5%</u>

EXPLANATION

The Contingency Fund (also commonly referred to as a "rainy day fund") provides for revenue shortfalls and unanticipated costs that may occur after the budget is adopted. The possibility of natural disasters, public or employee safety emergencies or up-front costs for productivity opportunities necessitates the need for adequate contingency funds. Use of contingency funds requires City Council approval.

GENERAL FUND CONTINGENCY

The budget reflects an increase in the General Fund contingency from the 2004-05 budgeted level of \$23,800,000 to \$24,740,000. The increase maintains a General Fund contingency equal to 2.6 percent of operating expenditures.

In 1995-96, the City Council adopted a policy to slowly increase the contingency amount to 3 percent of operating expenditures. The following table shows the progression from the 2.5 percent level in 1995-96 to 3 percent in 2000-01. In 2003-04, a budget reduction returned the base to 2.5 percent. In 2004-05 the contingency budget was increased to 2.6 percent of operating expenditures. The 2005-06 budget increases the contingency amount by \$940,000 maintaining the 2.6 percent level.

The following table also shows set-aside amounts. Set-asides have been used in the past to prepare for known future costs such as declining grant funding and new capital project operating costs. No set-asides are proposed for 2005-06.

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**Comparison of Annual Budget for General Fund Contingency Amount to
Operating Expenditures
(000's)**

Fiscal Year	General Fund Operating Expenditures*	Contingency and Set-Aside Amounts	Percent of Operating Expenditures
1995-96	\$633,964	\$15,625	2.5%
		3,000	
1996-97	674,619	17,318	2.6
		1,320	
1997-98	711,266	19,000	2.7

1998-99	748,937	21,000	2.8
		1,150	
1999-00	797,633	23,408	2.9
		1,800	
2000-01	883,196	26,780	3.0
		4,600	
2001-02	887,644	26,550	3.0
		7,600	
2002-03	912,192	27,190	3.0
		3,652	
2003-04	912,583	22,700	2.5

2004-05	925,603	23,800	2.6

2005-06	965,936	24,740	2.6

*Prior to 2001-02, Development Services operating expenditures were included in the General Fund contingency calculation. A separate contingency has been established in that fund.

OTHER FUND CONTINGENCIES

Similar to the General Fund, other funds also include contingency amounts. The contingency amounts and percentages of total operating expenditures vary to accommodate differences in the volatility of operations and revenues. Use of these amounts requires City Council approval. The following table shows the contingency amount for each of the other funds.

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**2005-06 Other Fund Operating Expenditure and
Contingency Amount**
(000's)

Fund	Operating Appropriations	Contingency Appropriations	Contingency as a Percent of Operating
Aviation	\$192,313	\$10,000	5.2%
Civic Plaza	32,738	2,800	8.6
Development Services	50,735	2,500	4.9
Golf	6,121	50	0.8
Public Safety Enhancement	16,156	484	3.0
Solid Waste	95,946	6,000	6.3
Transit 2000	100,767	9,000	8.9
Wastewater	90,567	14,821	16.4
Water	167,275	30,000	17.9