



MEMORANDUM

TO: Art Acevedo, Chief of Police

FROM: Jaycie Pokorny, CPA

DATE: July 18, 2007

SUBJECT: APD Update – Budget Process
Important Budget Dates

Description	Date
COA Proposed Budget Presentation	7/26/2007 Thursday
APD Budget Presentation to ACM	Unknown
APD Budget Presentation due to CMO	8/13/2007 Monday
APD Budget Presentation dry run with CMO	8/17/2007 Friday
APD Budget Presentation	8/23/2007 Thursday
COA weekend retreat with Council before Readings	9/8/2007 to 9/9/2007 Saturday and Sunday
COA Budget Readings	9/10/2007 to 9/12/2007 Monday through Wednesday

Important things to know – the weekend before the Budget Readings – CMO will be negotiating with each Council Member individually to obtain their input for items not found in the Proposed Budget. A “script” will be put together that outlines the amendments from the dais to change the Proposed Budget. Items could include adding budget for Council programs, adding FTEs (people) or requiring a department to do something without funding the item.

I will try and find a copy of an old script – the document answers many questions.

Involvement with APD FY 2008 Budget Process

The Five Year Forecast was due to CMO on 2/27/2007 – I arrived at APD on February 26th. I had no involvement with the items requested in the Forecast or the estimated dollars associated with the items.

Forecast was finalized around the 20th of April. After this presentation sworn officers were adjusted due to reductions in the number of annexations. I do not have the backup for the total \$ in the Forecast presentation for Police.

On 5/2/2007 we were given our Forecast Budget of \$220,587,469 which included 73 sworn positions and 36 vehicles, and \$3.2 million additional OT costs.

- o On 5/24/2007 - \$150,000 was added for the soft costs in the Jail Contract
- o On 6/1/2007 – (\$764,039) was deducted from APD - (\$1,000,000) to meet target and an increase in civilian pay for performance of \$235,961
- o 6/11/2007 - \$40,212 was added to fuel and maintenance charges for City Fleet Services

- o 7/4/2007 - \$27,118 was added to APD to convert 1.75 temporaries to permanent positions – the actual costs of these positions totaled over \$73,000.
- o 7/10/2007 – (\$24,887) was deducted from APD when the funding from the Human Trafficking Detective grant position which was to be funded in the General Fund was removed. If no grant funding can be obtained the cost for this detective will be \$86,314 this was offset by increases to the City Managers bilingual and awards/recognition programs by \$61,427.

This results in a Proposed Budget of \$220,015,873 and the addition of 73 sworn and 6.75 civilian FTEs.

APD Budget History of past FY 2005 & FY 2006

FY 2005 – APD General Fund was over budget, but was adjusted before second accounting system close, appears mostly adjusted to expenses from the Seized Funds, and increases in grant reimbursements.

FY 2006 – APD General Fund was over budget, but was adjusted by \$1,101,000 before the second accounting close. CMO allowed the Police Department to be forgiven on the debt on the helicopter, leaving health insurance transfers below budget, reversing fleet charges, and moving some temporary salaries to other departments, as well as moving some small costs to seized funds. In addition to the \$1.1 million approved by CMO, the Chief Financial Manager transferred an additional \$553,000 to the Seized Funds and grant reimbursements increased by \$471,000. Encumbrances were liquidated prior to Close 2. Adjustments totaling \$2,125,000 were made to the General Fund prior to the accounting system close 2.

After the system close it was discovered the final payment for the Jail Contract had not been made or encumbered - \$1,147,478. With this contract the total adjustments and over budget in the General Fund was \$3.3 million.

This led to the resignation of the Chief Financial Manager in February 2007 and my reassignment from Austin Energy.

APD Current Budget Problems – FY 2007

On reassignment in February I took a quick review of the areas in Finance. I was not comfortable with – grants, purchasing and Accounts Payable – I determined the Purchasing area was the most ready to be ran without intervention. The Accounts Payable Financial Manager had been hired in December 2006. My understanding of the new accounting system limitations led me to believe that the AP area needed attention, but I allowed the manager to manage this area due to emphasis on the accounting and budgeting area.

The Grants fiscal management, accounting and reporting for grants managed by the Chief Financial Manager were in dire need of attention, reports had been neglected, files were incomplete and little backup was found in the files. We were able to meet all grantor deadlines for the March 2007 reports, but many problems were found, some due to insufficient system reports and lack of database resources in the new system. A Utility Financial Planner at Austin Energy converted all old databases from Access 97 to Access 2003. Data warehouses were created and reconciled to financial system. This also involved the creation and updating of all personnel information from the payroll system. Currently Finance is working on the June 2007 reports, notably salary charges to the system for previous months recalculated during May system close which renders reports with salary charges incorrect for previous grant periods. The City is aware of the discrepancies.

In reviewing grants it is obvious that grant program administrators are neglecting responsibility for their grants, in particular the Forensics area has required attention.

Seized funds began running negative cash balances in June 2007, mainly due to the use of these funds to balance the FY 2006 budget. As a result, Finance has ceased the use of the Seized funds for any budget activity until cash balances are restored. This has resulted in charges to the General Fund that normally would be charged to the Seized accounts. The charges of main concern are the maintenance and vehicle services for

vehicles obtained from seizures. These have been charged to the Organized Crime Division. This practice is of concern since I understand a number of the vehicles are not used in investigations or organized crime. This practice may need review as these vehicles are not used to further seizures for the department.

General Fund operating budget – FY 2007 budget contains a \$1.0 million dollar reduction in “non personnel” costs – last summer an agreement was made where overtime was increased and savings were anticipated in contractuals and commodities areas. This agreement will result in a current budget shortfall for these items without management intervention and scrutiny of proposed purchases this summer. A cost containment memo was sent to all Assistant Chiefs and Commanders on June 22nd. All requests for purchases are more tightly monitored by Finance. This process is time consuming and requires individual attention. PRFs have been denied and returned to requestors if deemed to be unnecessary or extravagant. Current Year End Estimate shows a shortfall of \$1.7 million. This information is based on June 2007 data (9 months). The areas showing a decline is contractual services and expense refunds from grants and 3rd party billings. In April a meeting with the City Manager at that time the estimated shortfall was \$1.3 million, suggestions were made to help close the gap..

Overtime and Temporary salaries are creating a large part of this shortfall and supplies for the current cadet class are at issue also. Everyone has been urged to only request purchase of needed items for the current year. I am holding several PRFs for discussion.

A list of areas in danger of exceeding budget through June 2007 are:

Evidence – Brian Leath
Internal Affairs – Brian Manley
Fleet/Stores – Karen Bitzer
Training – Larry Oliver
Eastside Story – Onnesha Williams
Human Resources – Jennifer Soldano
Violent Crime – Harold Piatt
Property Crime – Brad Conner
Special Operations – Charles Johnson

Currently the Area Commands are holding at budget. But with the cadet class graduating on April 27th this could also become a budgetary problem by August.

Other items to discuss

- Replacement of Chief Financial Manager
- Current Accounts Payable and Budget/Accounting personnel
- Managing the Budget through the remainder of summer 2007
- Seized Funds – Open Records Request and Investigation of past charges
- General Fund – cost containment
- Conversion of FTE to add Assistant Chiefs
- Conversion of 16 Patrol Officers to Detectives in FY 2008
- Overtime and Temporary Salaries update – FY 2008