

**OFFICE OF INDEPENDENT BUDGET ANALYST
CITY OF SAN DIEGO
M E M O R A N D U M**

No. 06-24

DATE: October 6, 2006

TO: Honorable Council President and Members of the City Council

FROM: Andrea Tevlin, Independent Budget Analyst

SUBJECT: Fiscal Year 2007 Phase Funding for Miramar Water Treatment Plan

Item 331 on the City Council docket for Tuesday, October 10th requests a \$22.2 million increase in appropriation for the Water Department's FY 2007 Capital Improvement Program related to the Miramar Water Treatment Expansion & Upgrade Project. This phase-funded project was approved by Council on April 21, 2003. The current construction contract was approved by Council on July 14, 2003.

In prior years, the Appropriation Ordinance included a provision that allowed for administrative appropriation of phase-funded projects. Phase funding is a method by which large projects, encompassing multiple tasks over an extended period of time, may be broken down into clearly defined pieces and funded on a contingent basis. The Appropriation Ordinance was previously structured to identify phases of projects that would be authorized during the fiscal year as funds became available, as to distinguish from projects that were committed to with the adoption of the Appropriation Ordinance at the beginning of the fiscal year.

In Fiscal Year 2007, the Appropriation Ordinance was revised and the phase funding provision was eliminated, thereby requiring departments with phase-funded CIP projects to return to Council and request an increase in appropriation. The revisions to the Appropriation Ordinance in FY 2007 essentially "wiped the slate clean," returning broad authority to the City Council, and closing many of the previous "loopholes" that were contained in the Ordinance. In doing so, however, there may have been a few instances where legitimate and necessary delegations of authority were also eliminated, such as the appropriation of phase-funded projects. As these instances are identified in the future, the Appropriation Ordinance should be revised accordingly.

Because this project was previously approved to be phase-funded, the current request for approval is somewhat redundant. As such, the IBA supports approval of this action and believes that it is appropriate for the phase funding provision to be reinserted in the Appropriation Ordinance, either in the current year or in Fiscal Year 2008, so that departments have the flexibility to proceed with phase-funded CIP projects that have already been approved by City Council. An example of this provision, from the Fiscal Year 2006 Appropriation Ordinance, is attached.