



CITY OF OAKLAND

MEMORANDUM

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Donna Hom
Budget Director

SUBJECT: FY 2012-13 Third Quarter
Revenue and Expenditure Report

DATE: May 20, 2013

City Administrator

Date

Approval /s/ **Deanna J. Santana**

5/20/13

COUNCIL DISTRICT: City-Wide

As noted in the supplemental memorandum dated May 17, 2013, below is the FY 12-13 Third Quarter Revenue and Expenditure Report. This report is being distributed via the information memorandum process as an informational report for goal of providing this information in a timely manner. Please note that the contents of this memorandum will be resubmitted along with the appropriate resolution to the June 13, 2013 City Council meeting.

EXECUTIVE SUMMARY

Consistent with national, state, and regional economic market trends, the City of Oakland's economy continues to grow and gain strength. Revenue realized as of the end of the 3rd Quarter is higher than estimated due to a faster economic recovery than projected.

We continue to see modest revenue growth for the 3rd Quarter in the Transient Occupancy tax, Licenses and Permits and Sales Tax categories. We are only seeing large revenue growth in one-time Real Estate Transfer Tax (RETT).

Staff recommends to the City Council to consider utilizing the additional revenue in the current fiscal year to fund the mandated Negotiated Settlement Agreement related items, litigation settlements, and immediate needs for public safety radio system (see **Appendix A** for detail list).

Staff recommends to adjust upwards in FY 2013-14 on-going new revenue by \$3.02M, and in FY 14-15 by \$2.46M in on-going new revenue respectively. Staff further recommends to the City Council to consider utilizing this additional new on-going revenue to fund programs such as illegal dumping, graffiti abatement, and littering program as stated in the Policy Tradeoffs section of the Proposed Policy Budget.

See Recommendation C (1) and (2). However, it is important to note that the revenue actuals for FY 2011-2012 are very close to the projected year end revenue for FY 2012-2013, a 2.0% growth (see below):

Revenue Category	FY 2011-12 Actuals	FY 2012-13 Projected	Variance
Property Tax	\$ 138,796,954	\$ 140,635,054	1.3%
Sales Tax	\$ 44,740,906	\$ 48,732,327	8.9%
Business License Tax	\$ 58,711,453	\$ 58,000,000	-1.2%
Utility Consumption Tax	\$ 51,434,031	\$ 50,000,000	-2.8%
Real Estate Transfer Tax	\$ 30,653,221	\$ 40,000,000	30.5%
Transient Occupancy Tax	\$ 10,737,323	\$ 12,312,286	14.7%
Parking Tax	\$ 8,616,474	\$ 9,009,346	4.6%
Licenses & Permits	\$ 1,158,650	\$ 1,427,188	23.2%
Fines & Penalties	\$ 24,246,700	\$ 19,962,898	-17.7%
Interest Income	\$ 740,482	\$ 800,000	8.0%
Service Charges	\$ 45,948,737	\$ 43,338,382	-5.7%
Sub Total	\$ 415,784,933	\$ 424,217,480	2.0%
Grants & Subsidies	\$ 229,107	\$ 160,672	-29.9%
Miscellaneous	\$ 32,079,762	\$ 712,465	-97.8%
Interfund Transfers	\$ 1,718,023	\$ 3,200,000	86.3%
Grand Total	\$ 449,811,825	\$ 428,290,617	-4.8%

In the 3rd Quarter (January 1 – March 31, 2013), the City continues to experience modest economic recovery and growth and, however, anticipated additional expenditures accompany this new revenue. Highlights of this FY 2012-13 Third Quarter Revenue and Expenditure Report are the following:

- The GPF is forecasted to end the fiscal year with a one-time operating surplus of \$8.1 million and anticipated expenditures, mostly one-time, that total \$10.42 million. The calculation includes \$428.3 million projected revenue and \$420.2 projected ongoing expenditures;
- GPF revenues are forecasted to be higher than budgeted by \$33.2 million, when accounting for transfers from fund balance (\$14.3 million) due to higher than expected property tax (\$15.5 million) and growth in sales (\$5.2 million), real estate transfer taxes (\$11.5 million), business license tax (\$6.2 million), and Transient Occupancy Tax (\$1.5 million);
- GPF revenues are forecasted to be \$5.45 million lower than the budget of \$25.4 million in Fines and Penalties in parking fines due to new automated systems, and \$2.0 million lower than the budget of \$2.73 million in Miscellaneous;
- Per Ordinance No. 13134 C.M.S. Real Estate Transfer Tax (RETT) receipts over \$40 million must be used to increase the GPF Reserve, the FY2012-13 transfer to the GPF Reserve is estimated at \$3 million;
- GPF citywide expenditures are forecasted to be higher than budgeted by \$4.4 million, which is the net results of savings from some departments and over-spent from others;

Item: _____
Special Council Meeting
June 13, 2013

- Some of the increases in GPF revenues that are forecasted for this fiscal year based on the third quarter results are expected to continue into future years, although these revenues were already largely anticipated and included in the FY 2013-15 Proposed Policy Budget; and,
- As noted above, the Police Department is exceeding its overtime budget, which is forecasted to result in the department exceeding its overall budget by \$5.3 million, not \$7.7 million as originally projected in the second quarter report.

RECOMMENDATION

Staff recommends City Council accepts the following information as it supplements the budget actions for the current fiscal year (FY 2012-2013) and the Fiscal Year (FY) 2013-15 Proposed Policy Budget:

A. Information for Fiscal Year 2012-2013:

- (1) Recognize an **increase** in one-time revenue in the General Purpose Fund (GPF) by **1.48%** from the second to third quarter of the fiscal year, which is equivalent to an amount of \$6.23 million in FY 2012-13;
- (2) Recognize that **expenditures** in the GPF is projected to **decrease** by **.66%** from the second to third quarter of the fiscal year, which is equivalent to an amount of \$2.79 million in FY 2012-13;

B. Recommendation for Fiscal Year 2012-13

- (3) Establish or reserve \$10.95 million of the \$8.08 operating surplus and fund balance from the General Purpose Funds for mandatory (\$3.69 million immediately), anticipated expenditures (\$7.27 million immediately) that will occur in FY 2012-2013 and FY 2013-2014 and leaving available \$1,578,802 of undesignated fund balance, as follows (see *Appendix A*):
 - (a) Establish reserve for the Litigation Settlement in the General Purpose Undesignated Fund Balance at the level of \$7 million (staff recommended \$4.3 million, this is an increase of \$2.7 million) for anticipated settlements;
 - (b) Establish funds for Compliance Director, his staff, and associated costs in accordance with the Court Order in an amount of \$1.86 million, which does not include the Compliance Director's benefits;
 - (c) Establish funds for partial cost associated with the Compliance Director's Remedial Action Plan in an amount of \$1.83 million;
 - (d) Establish a Negotiated Settlement Agreement/Compliance Director set aside in the amount of \$1 million for expected expenditures related to implementation of the Remedial Action Plan, and as strongly suggested by the Compliance Director;
 - (e) Establish a Short Term Crime Prevention Plan set aside in the amount of \$368,500 for costs associated with implementing the Strategic Policy Partnership plan relative to reducing homicides, burglaries, robberies, and improving investigation capacity within the Oakland Police Department;

Item: _____
Special Council Meeting
June 13, 2013

- (f) Establish a Public Safety radio performance improvement set aside from the General Purpose Fund Reserve—Undesignated Fund Balance in the amount of \$3.04 million for implementation of immediate measures to improve our radio performance in areas that are not related to whether the City maintains its system or partners with other providers; and,
- (g) Establish a graphic design set aside from the General Purpose Fund Reserve—Undesignated Fund Balance, to ensure these services are maintained and in the amount of \$80,000 for each year (\$160,000 total).

C. Recommendation for Fiscal Year 2013-2015:

- (1) Recognize an increase in ongoing GPF revenue by \$3.02 million (0.7%) from \$430.16 million to \$433.18 million for FY 2013-14;
- (2) Recognize an increase in ongoing GPF revenue by \$2.46 million (0.54%) from \$457.4 million to \$459.86 million for FY 2014-15; and,
- (3) Per City Council Policy, in accordance with Ordinance 13134 CMS which dictates that revenue that exceeds \$40 million in the Real Estate Transfer Tax (RETT) category be set aside in the General Fund Reserve each fiscal year until the GPF reserve reaches 10%. It is estimated that \$3 million will be set aside in FY 2012-13.
- (4) Consider using this new revenue for illegal dumping, graffiti abatement, and littering program as stated in the Policy Tradeoffs section of the Proposed Policy Budget.

OUTCOME

The information is presented to facilitate the FY 2013-15 Proposed Policy Budget discussion and development. Staff will bring resolutions to the City Council on June 13, 2013 to appropriate the funds as described in the recommendation and as required, mandatory, or anticipated for expenditure in the current fiscal year (2012-2013) or during the FY 2013-15.

BACKGROUND/LEGISLATIVE HISTORY

As background, the City ended last fiscal year, FY 2011-12, with some moderately positive financial news. As presented in the FY 2011-12 Fourth Quarter Revenue and Expenditure Report, the City ended the fiscal year with General Purpose Fund (GPF) expenditures on budget, modestly better ongoing revenue than budgeted, and some early receipt of revenue. This increased the City's GPF fund balance even while the City paid down some long-term liabilities. The trends of last year, keeping expenditures on budget and improving economic conditions and revenue, have generally continued in the current fiscal year's first two quarters (July 1 - December 31, 2012).

The City Administrator's Budget Office normally publishes a quarterly report of revenues and expenditures to keep stakeholders up-to-date on budget developments. The quarterly report has historically included four funds with citywide significance: the General Purpose Fund (GPF, 1010); Landscaping and Lighting Assessment District Fund (LLAD, 2310); Equipment Fund (4100); and City Facilities Fund (4400). In addition, the quarterly report contains information on

Item: _____
Special Council Meeting
June 13, 2013

overtime pursuant to Resolution 81377 C.M.S., which requires that the City Administrator submit a semiannual overtime report to the City Council.

ANALYSIS

<i>General Purpose Fund</i>

The General Purpose Fund (GPF) is the fund from which the City has the most flexibility in making expenditures. As the words “general purpose” suggests, this fund can be used on a wide range of purposes. As such, it is a fund of great interest for service delivery.

The City Council’s FY 2012-13 Amended Midcycle Policy Budget included GPF revenues of \$409.4 million and expenditures of \$408.9 million. Subsequent to the adoption of the budget, \$5.1 million of unspent appropriations from FY 2011-12 were “carried forward” into the FY 2012-13 budget. These carry-forwards plus other miscellaneous appropriations and adjustments, including \$0.9 million for Sierra Systems/Internal Personnel Assessment System (IPAS) approved by City Council from July 2012 through March 2013, resulted in the adjusted expenditure budget of \$415.8 million in Table 1 below. Please note that there are other appropriations made by the City Council since January 2013, totaling approximately \$.53 million that have not been inputted into the Oracle financial system, and therefore are not included in the adjusted budget expenditures below

As of the close of the third quarter, the City is forecasting that GPF operating revenue will exceed FY 2012-13 budget by \$33.2 million when accounting for transfers in fund balance, as described in greater detail below. Expenditures are forecasted to exceed budget by \$4.4 million. Based on unaudited third quarter revenue and expenditures, staff forecasts a fiscal year-end surplus of \$8.1 million. The comparison between the 2nd Quarter projection and the 3rd Quarter projection is listed in *Appendix A*.

Table 1 – Summary of FY 2012-13 Third Quarter GPF Revenue and Expenditure General Purpose Fund (1010) (in Millions)

	Amended Mid-cycle Budget	Adjusted Budget	Year-End Forecast	Forecast v. Adjusted Budget
Operating Revenue	\$395.1	\$395.1	\$428.29	\$33.19
Transfers from Fund Balance	\$14.3	\$14.3	\$0	(\$14.3)
Total Revenue [A]	\$409.4	\$409.4	\$428.29	\$18.89
Expenditures [B]	(\$408.9)	(\$415.76)	(\$420.21)	(\$4.45)
Estimated Current Year Net/(Shortfall)	\$0.5	(\$6.36)	8.08	\$14.44

Beginning Fund Balance	\$84.6	\$84.6	\$84.6	\$0
Estimated Current Year Net/(Shortfall)	\$0.5	(\$6.36)	8.08	\$14.44
Transfers Fund Balance	(\$14.3)	(\$14.3)	(\$0.0)	\$14.3
Excess RETT transfer to GPF Reserve[D]	\$0	\$0	\$3.0	\$3.0
Estimated Ending Fund Balance	\$70.8	\$63.94	\$95.68	\$31.74

Notes:

A – Total budgeted revenue includes revenue from normal sources such as property tax, sales tax, real estate transfer tax, etc. It also includes \$14.3 million of revenue from GPF fund balance. Due to differences between professional budgeting practices and accounting practices, this transfer from fund balance is not recorded in the year-end forecast actual revenue.

B - Adjusted expenditure budget includes adopted midcycle budget of \$409.4 million, plus approved project carry-forwards of \$5.1 million, plus miscellaneous small adjustments including \$0.9 million for Sierra Systems/IPAS approved by City Council through March 2013.

C - \$84.6 million is the audited FY 2011-12 year-end fund balance, and therefore the FY 2012-13 beginning fund balance. It is higher than the \$82.9 million unaudited FY 2011-12 year-end fund balance reported in the FY 2011-12 Fourth Quarter Revenue and Expenditure Report primarily due to the inclusion of a \$1.2 million receivable from the Port of Oakland.

D – Forecast year end operating revenue excludes \$3.0 million in Real Estate Transfer Tax that must be deposited in the City's General Purpose Fund reserve per Ordinance 13134 CMS. This transfer is noted separately in the calculations GPF fund balance.

Revenue Highlights

The FY 2012-13 adjusted GPF revenue budget is \$409.4 million. The year-end forecast as of the close of the third quarter is \$428.3 million, an increase of \$18.9 million, or an increase of \$33.2 million if accounting for the transfer from fund balance. **Attachment A-1** provides details of the adjusted revenue budget and year-end estimate. The major variances are the following, discussed in greater detail below:

- Property Tax: + \$15.5 million
- Sales Tax: + \$5.2 million
- Business License Tax: + 6.2 million

Item: _____
Special Council Meeting
June 13, 2013

- Real Estate Transfer Tax: + \$11.5 million
- Transient Occupancy Tax: + \$1.5M
- Fines and Penalties: - \$5.5 million
- Miscellaneous: - \$2.0 million
- Fund Transfers: - \$14.3 million

Property Tax: + \$15.5 million

Property tax revenue is forecasted to total \$140.6 million, an increase of \$15.5 million compared to budget. This increase is primarily due to the distribution to the City of its pro-rata share of property tax that was previously allocated to the Oakland Redevelopment Agency as property tax increment. These funds are now distributed among the region's taxing entities, net of the former Redevelopment Agency's enforceable obligations, due to the State Legislation that dissolved California Redevelopment Agencies. The City was not aware, as of the adoption of the FY 2012-13 Amended Mid-Cycle Policy Budget in June 2012, that this additional property tax revenue would flow to the City, as the consequences of the dissolution of Redevelopment were not fully known at the time. It should be noted that his increased revenue is forecasted to be ongoing.

Sales Tax: + \$5.18 million

Sales tax revenue is forecasted to total \$48.73 million, an increase of \$5.18 million compared to budget, due primarily to better than expected economic growth and sales, especially in auto sales, restaurants and hotels, and higher than expected fuel prices.

Business License Tax: + \$6.20 million

Business license tax revenue is forecasted to total \$58.0 million, an increase of \$6.2 million compared to budget, due to better than expected modest economic growth and that business tax revenues are largely received in the early spring due to the tax's annual nature. The increases are largely due to increased retail & wholesale activity, recreation, entertainment, and media and construction activity.

Real Estate Transfer Tax: + \$14.51 million

Real estate transfer tax revenue is forecasted to total \$43.0 million, an increase of \$14.5 million compared to budget. The increase over budget is due to two main factors, a general increase in sales values of transferred properties and some large transactions that are not likely to be replicated in future years. Only \$11.5 million of this increase is recognized as operating revenue in FY 2012-13 due to the provisions of Ordinance 13134 CMS, which required that Real Estate Transfer Tax revenues in excess of \$40.0 million be deposited in the General Purpose Fund Reserve until such reserve is equal to 10% of budgeted General Purpose Fund expenditures.

Transient Occupancy Tax: + \$1.45 million

Transient occupancy tax revenue is forecasted to total \$12.3 million, an increase of \$1.4 million compared to budget. This is due to better than expected growth in hotel average room rates. It should be noted that Oakland has a limited supply of hotel rooms, and that in the future room rates increases will be highly dependent on the performance of the regional travel industry.

Fines and Penalties: - \$5.46 million

Fines and penalties revenue is forecasted to total \$19.96 million, a decrease of \$5.5 million compared to budget. This decrease is attributable to falling parking citation revenue due to vacant positions and staff on leave in parking enforcement, the winter parking holidays, the “parkmobile” pilot program (from which individuals can receive reminders and pay for meters remotely), and the five-minute grace period. The Administration is also examining whether we are seeing fundamental behavior changes in the actions of parking patrons which reduce the frequency with which they receive parking citations. It should also be noted that the Administration is coordinating the recruitment to fill the vacant parking enforcement positions.

Miscellaneous Revenue: - \$2.02 million

Miscellaneous revenue consists of land sales and other income that does not fit into other revenue categories. It is forecasted to total \$0.7 million, a decrease of \$2.0 million compared to budget. This is entirely due to billboard revenue that had been expected this fiscal year but that is now anticipated to not be collected until a future year.

Transfers From Fund Balance: - \$14.3 million

The FY 2012-13 Amended Mid-Cycle Policy Budget included \$14.3 million of revenue from transfers from GPF fund balance related to property tax, land sales, and other revenue that was expected in FY 2012-13 and budgeted for FY 2012-13 but actually received early, in FY 2011-12. Due to differences in how revenue is recognized in budgeting compared to accounting, that budgeted revenue is not among the estimated year-end actual total revenue of \$428.3 million reported above. As such, the actual fund transfer revenue estimated for year-end FY 2012-13, \$0.0 million, is \$14.3 million lower than budgeted.

Expenditure Highlights

The FY 2012-13 adjusted expenditure budget for the General Purpose Fund is \$415.4 million. This is composed of the Amended Mid-Cycle budget of \$408.9 million plus carry-forwards of \$5.1 million and miscellaneous small adjustments, including \$0.9 million for Sierra Systems/IPAS and other items approved by City Council through March 2013. The year-end forecast as of the close of the third quarter is \$420.21 million, \$4.44 million over the adjusted budget. **Attachment A-2** provides details of the adjusted expenditure budget and year-end

estimate. As reflected in the recommendation for this report, the Administration has adjusted some line items from the GPF—Undesignated Fund Balance to adjust for anticipated expenditures that are either necessary, mandatory, or at the City Council’s discretion. For expenditures resulting from the NSA, a separate report has been issued to provide details of the expenditures and, separately, the Administration will report in Closed Session the purpose for increasing the Litigation Settlement line item. The other proposed expenditures are for costs that the City can anticipate over the next months and are necessary to prepare for accordingly.

There is only one major variance (greater than \$1.0 million) between the adjusted expenditure budget and the forecasted year-end value. The Police Department is forecasted to have year-end GPF expenditures of \$174.50 million compared to budgeted expenditures of \$169.2 million, an increase of \$5.3 million. This is primarily due to overtime costs. It is also partially due to the delay of handing off Citizen’s Police Review Board (CPRB) intake responsibilities to the City Administrator’s Office. The Police Department is forecasted to overspend its overtime budget by \$9.39 million. Overtime expenditures by department for GPF and All Funds are listed in *Attachment B*.

Other than the Police Department, City departments have generally managed expenditures to remain within approved budgets. Departments have been directed to tightly manage expenditures for the remainder of the fiscal year in order to possibly create savings that can be applied to an anticipated budget shortfall for the next two-year budget.

Note that this report, covering revenues and expenditures through the third quarter (March 31, 2013), does not capture a number of supplemental appropriations for expenditures that the City Council has authorized since January 1, 2013, totaling approximately \$1.49 million. The fourth quarter report will address these expenditures.

Note on Implications for Future Year Revenue

As noted above, the forecasted year end operating revenues are \$33.2 million higher than budgeted, when accounting for transfers from fund balance. The total revised revenue estimate is \$18.9 million greater than the FY 2012-13 adjusted budget. This is primarily due to the additional property tax revenue that flowed to the City from property tax increment that would have formerly flowed to the Oakland Redevelopment Agency, and sales, RETT, and business license tax revenues. The revenue forecast included in the FY 2012-13 Amended Mid-Cycle Policy Budget in June 2012 was developed in spring 2012, when the City did not yet anticipate receiving the additional property tax. As noted above, higher than budgeted sales tax and real estate transfer tax revenues had a positive impact.

Subsequent to the adoption of the FY 2012-13 budget, the Budget Office in summer and early fall 2012, updated its revenue forecast for FY 2013-14 through FY 2017-18 for inclusion in the Five-Year Financial Forecast (FYFF) and the FY 2013-15 two year baseline budget. At that time, the additional property tax that would flow to the City from former Redevelopment property tax

Item: _____
Special Council Meeting
June 13, 2013

increment was known, as was some information about improvement to other tax revenues. As such, the revenue forecast for the FYFF and FY 2013-15 baseline budget have already included much of the revenue increase illustrated in this FY 2012-13 Third Quarter Revenue and Expenditure Report. The FY 2013-15 Proposed Policy Budget also included some information from January and February 2013. The revenue by category in the FY 2012-13 Amended Adopted Budget, second quarter actual and revised projection for this fiscal year, and projection for the next two fiscal years are provided in *Appendix A*.

Real Estate Transfer Tax Collection Beyond \$40 million

In accordance with Ordinance No. 13134 C.M.S., when the collection of Real Estate Transfer Tax (RETT) reaches the \$40 million threshold, the “excess” RETT collection above that amount shall be used in the following manner:

- a. Replenish General Purpose Fund (GPF) reserves until such reserves reach to 10 percent of current year budgeted GPF appropriations.
- b. After such reserves have been replenished, the order of use of the remaining excess collection is as follows: 50 percent to repay negative internal services fund balances; 30 percent set aside for the Police and Fire Retirement System (PFRS) liability until this obligation is met, 10 percent to establish a trust for Other Post-Employment Benefits (OPEB); and 10 percent to replenish the Capital Improvements Reserve Fund until it reaches \$10,000,000.

The GPF reserve level is currently at 7.5% of the GPF adopted budget or approximately \$32.3 million. If the GPF reserve level is to be increased to 10%, it would be \$40.9 million. The RETT revenue is projected to be \$43.0 million, or \$3 million over the threshold of \$40.0 million. At the end of the fiscal year, should RETT collection be realized at the projected level, the City will increase the GPF reserve by \$3.0 million.

Compliance Director and Staff Cost and Remedial Action Plan Cost Estimation

Court appointed Compliance Director, Thomas C. Frazier, submitted his first Compliance Director’s Remedial Action Plan (“Plan”) on May 1, 2013 to the City. For expenditures resulting from the NSA, a separate report has been issued to provide details of the expenditures.

Implication of the Revenue and Expenditure Status to Current and Future Years

The GPF projected fund balance in June 2013 will be \$1.58 million if the following recommended items are adopted. \$4.68 million is recommended to fund the costs recommended by Compliance Director and Strategic Policy Partnership, of which \$3.31 million is mandated by the Court Order, \$1 million is to set aside for costs to be determined and \$368,500 is at the discretion of the City Council. An informational report is prepared to be presented to the City Council separately. There is an approximately \$523K the City Council approved expenditure

Item: _____
Special Council Meeting
June 13, 2013

that are not included in this quarter. The pending litigation and settlement to be increase from \$4.3 million to \$7 million, and a set aside of \$3.04 million for the Public Safety radio upgrade that are needed immediately. The GPF fund balance projection summary is illustrated in *Appendix B*.

If revenues are realized as projected and continue as expected in the next two fiscal years, the GPF projection for FY 2013-14 and FY 2014-15 will be adjusted upwards in the amount of \$3.02 million and \$2.46 million respectively, to \$433.18 million and \$459.86 million including currently budgeted transfers from fund balance.

Additionally, there will be \$3 million dedicated to increase the GPF Reserve in in FY 2012-13 in accordance with Ordinance No. 13134 CMS if revenues are realized as projected. If Real Estate Transfer Tax revenues continue as expect over the next two fiscal years there will be an additional \$0.37 million and \$1.98 million contribution to the GPF Reserve in FY 2013-14 and FY 2014-15 respectively.

Revenue Projection Variance Over Time

Revenue projections are based on historic trends and current data. As conditions change, projections would need to be revised. There are factors that staff may or may not be able to foresee. For example, in FY 2007-08, it was not foreseeable in 2006, when the budget was developed, that the global Great Recession was coming; as such, the variance between GPF revenue projection and realization was \$27.88 million or **5.77% less than** projected. When the FY 2012-13 Budget was amended in June 2012, it was not foreseeable that the economic recovery would be at today's rate. If FY 2012-13 GPF revenue is realized at \$431.29 million level compared with adopted \$409.4 million level, the realization would be **5.35% higher** than the projected revenue. Most of the variance derived from the Real Estate Transfer Tax (RETT) category. In FY 2011-12, the variance was primarily due to the receipt of Residual Property Tax Trust (RPTT) as the result of the dissolution of Redevelopment Agency. The summary of last five years budget compared with actual by revenue category along the current year budget vs. projected revenue is listed in *Appendix C*.

Internal Service Funds

Landscaping and Lighting Assessment District Fund (LLAD)

In the Landscaping and Lighting Assessment District Fund (LLAD, 2310), revenue is forecasted to total \$19.4 million, an increase of \$0.6 million compared to budget. Expenditures are forecasted to total \$18.7 million, a decrease of \$0.3 million compared to budget. The cause of the increased revenue is reduced property tax delinquencies, attributable to economic recovery. The cause of the decreased expenditures is personnel savings in park maintenance due to vacancies.

Item: _____
Special Council Meeting
June 13, 2013

The higher than expected revenues and lower than expected expenditures are forecasted to create a \$0.6 million surplus at year end, which is expected to reduce the fund’s negative balance from a beginning balance of -\$1.7 million to -\$0.8 million. The LLAD has steadily improved its negative fund balance from approximately -\$6.0 million in FY 2008-09.

Table 3 - Summary of FY 2012-13 Third Quarter Revenues and Expenditures

<u>LANDSCAPING & LIGHTING ASSESSMENT DISTRICT FUND (2310)</u>			
<u>(\$ in millions)</u>			
	FY 2012-13 Adjusted Budget	FY 2012-13 Q3 Year-End Forecast	Variance
Beginning Fund Balance	(\$1.4)	(\$1.4)	
Revenue	\$18.7	\$19.4	\$.7
Expenditures	\$19.0	\$18.8	(\$.2)
Estimated Current Year Surplus/(Shortfall)	(\$0.3)	\$0.6	\$.9
Estimated Ending Fund Balance	(\$1.7)	(\$0.8)	(\$.9)

Equipment Fund

The adjusted budget for the Equipment Fund (4100) anticipated \$28.9 million in revenues and expenditures. Revenues are now forecasted to end the year at \$29.2 million, whereas expenditures are forecasted to end the year at \$28.6 million. The increase in revenue is due to the sale of some surplus equipment. The reduction in expenditures is due to savings in personnel due to vacancies.

The higher than budgeted revenues and lower than budgeted expenditures are forecasted to create a \$0.7 million surplus. Of note, the Equipment Fund continues on a ten-year repayment plan to eliminate its negative fund balance by FY 2018-19, and has steadily improved its balance from approximately -\$16.0 million in FY 2007-08. However, the modest operating surplus of \$0.7 million forecasted for FY 2012-13 is smaller than that needed by the fund to meet its approved repayment schedule this year. This fund is reported on a cash basis.

Table 4- Summary of FY 2012-13 Third Quarter Revenues and Expenditures

	FY 2012-13 Adjusted Budget	FY 2012-13 Q3 Year-End Forecast	Variance
Beginning Fund Balance	(\$7.8)	(\$7.8)	
Revenue	\$28.9	\$29.2	\$.3
Expenditures	\$28.9	\$28.6	(\$.3)
Estimated Current Year Surplus/(Shortfall)	(\$0.0)	\$0.6	\$.6
Estimated Ending Fund Balance	(\$7.8)	(\$7.2)	\$.6

Facilities Fund

The adjusted budget for the Facilities Fund (4400) anticipated \$23.2 million in revenues and \$23.6 million in expenditures. Revenues are now projected to end the year at \$23.8 million, whereas expenditures are forecasted to end the year at \$22.1 million. These lower than budgeted expenditures are attributable to personnel vacancy savings.

When accounting for carry-forwards, the fund is expected to end the year with a \$1.7 million surplus, which will marginally reduce the fund's negative cash balance from a beginning balance of -\$23.9 million to -\$22.2 million. Of note, the Facilities Fund continues on a ten-year repayment plan to eliminate its negative fund balance by FY 2018-19, and has steadily improved its negative fund balance from approximately \$31 million in FY 2008-09. It is forecasted that the FY 2012-13 surplus is enough to meet its approved repayment schedule this year.

**Table 5 - Summary of FY 2012-13 Third Quarter Revenues and Expenditures
FACILITIES FUND (4400) (\$ in millions)**

	FY 2012-13 Adjusted Budget	FY 2012-13 Q3 Year-End Forecast	Variance
Beginning Fund Balance	(\$23.9)	(\$23.9)	
Revenue	\$23.2	\$23.8	\$.6
Expenditures	\$23.6	\$22.1	(\$1.5)
Estimated Current Year Surplus/(Shortfall)	(\$0.4)	\$1.7	\$2.1
Estimated Ending Fund Balance	(\$24.2)	(\$22.2)	\$2.0

Overtime

Resolution 81377 C.M.S., of June 2008, requires that the City Administrator submit a semiannual overtime report to the City Council. Below is a discussion of major variances in departments' FY 2012-13 estimated year end overtime spending. The information, along with that in **Attachment B**, satisfies the resolution's requirements.

The FY 2012-13 adjusted overtime expenditure budget is approximately \$14.3 million for GPF and \$21.1 million for All Funds. As of the end of the third quarter, the City has already expended \$27.4 million GPF and \$33.4 million all funds. At this rate, the City would spend \$36.0 million in GPF and \$44.1 million in all funds by year end.

Almost all of the estimated year end GPF over-expenditure on overtime is due to the City's Public Safety departments, the Fire Department and Police Department. The Fire Department budgeted under \$140,000 for GPF overtime. However, as of the end of the third quarter, it has expended over \$9.3 million. At this rate, the department is expected to expend over \$12.4 million by year end. However, based on analysis by the department and budget staff, the over-expenditure on overtime, due to backfilling vacancies, is expected to be offset by savings in other personnel categories, such that the department is expected to end the year on budget overall. The Fire Department started a lateral academy on May 13, 2013 and eight trainees are scheduled to graduate in July 2013. In addition, Fire Department is actively recruiting entry level firefighters to fill vacancies. When vacancies are filled, the overtime expenditure is expected to decrease.

The Police Department's FY 2012-13 adjusted GPF overtime budget is \$14.1 million. However, as of the end of the third quarter, it had already expended \$17.9 million. Whereas the Fire Department is using overtime to backfill vacancies for which it is achieving salary savings, the Police Department is using overtime to pay for non-discretionary overtime and to increase deployment, which is not offset by salary savings elsewhere. As such, the Police Department is exceeding its overtime budget, which is forecasted to result in the department exceeding its overall budget by \$5.3 million, not \$7.7 million as originally projected in the second quarter report.

The only significant non-GPF instance of forecasted over-expenditure on overtime is for the Public Works Agency. The department has a FY 2012-13 adjusted budget of \$1.3 million for overtime, but has already expended \$1.7 million as of the end of the third quarter. At this rate, the department is forecasted to end the year with expenditures of \$2.4 million, \$1.1 million over budget. The higher than budgeted overtime use is attributed to emergency sanitary sewer maintenance and street and sidewalk development.

PUBLIC OUTREACH/INTEREST

Not applicable.

COORDINATION

This report was prepared in coordination between the City Administrator's Budget Office, the Controller's Office, the City Attorney's Office, and various other departments.

COST SUMMARY/IMPLICATIONS

This report presents unaudited budget information for the General Purpose Fund and other key City funds for the period July 1, 2012 through December 31, 2012.

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified.

Environmental: No direct environmental impacts have been identified.

Social Equity: No social equity opportunities have been identified.

For questions regarding this report, please contact Donna Hom, Budget Director, City Administrator's Office, at 510-238-2038.

Respectfully submitted,

/s/

DONNA HOM
Budget Director

Reviewed by:
Osborn Solitei, Controller
Bradley Johnson, City Administrator's Analyst
Andrew Murray, Assistant to City Administrator

Item: _____
Special Council Meeting
June 13, 2013

Attachments:

A-1: *General Purpose Fund Revenues*

A-2 *General Purpose Fund Expenditures*

B *Overtime Analysis-GPF & Overtime Analysis-All Funds*

Appendices:

Appendix A: General Purpose Fund Balance Projection Summary, as of May 16, 2013

Appendix B: Revenue Revision Summary by Category in May, 2013

Appendix C: Historical Budget vs. Actual General Purpose Fund Revenue

**FY 2012-13 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (July 1, 2012 - March 31, 2013)
GENERAL PURPOSE FUND REVENUES (\$ in millions)**

Revenue Category	FY 2012-13 Adjusted Budget	FY 2012-13 Q3 YTD Actuals	FY 2012-13 Percent to Date	FY 2012-13 Year-End Estimate	FY 2012-13 Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection
PROPERTY TAX	125.17	91.60	73.2%	140.64	15.47	
SALES TAX	43.56	28.21	64.8%	48.73	5.18	
BUSINESS LICENSE TAX	51.80	52.19	100.8%	58.00	6.20	
UTILITY CONSUMPTION TAX	50.50	33.89	67.1%	50.00	(0.50)	
REAL ESTATE TRANSFER TAX	28.49	30.40	106.7%	40.00	11.51	
TRANSIENT OCCUPANCY TAX	10.86	8.31	76.4%	12.31	1.45	
PARKING TAX	8.10	5.25	64.8%	9.01	0.91	
LICENSES & PERMITS	0.93	0.96	103.5%	1.43	0.50	
FINES & PENALTIES	25.43	13.96	54.9%	19.96	(5.46)	
INTEREST INCOME	0.80	0.21	25.9%	0.80	0.00	
SERVICE CHARGES	43.34	25.33	58.4%	43.34	0.00	
GRANTS & SUBSIDIES	0.16	0.19	121.1%	0.16	0.00	
MISCELLANEOUS	2.73	(0.21)	-7.6%	0.71	(2.02)	
INTER-FUND TRANSFERS	3.20	2.13	66.7%	3.20	0.00	
Sub-Total Revenue	\$395.06	\$292.41	74.0%	\$428.29	\$33.23	
TRANSFERS FROM FUND BALANCE	14.28	0.00	0.0%	0.00	(14.28)	
Total Revenue	\$409.35	\$292.41	71.4%	\$428.29	\$18.94	
Replenishment of GPF Reserve using excess RETT Per Ordinance No. 13134 C.M.S.				3.00	3.00	

**FY 2012-13 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (July 1, 2012 - March 31, 2013)
GENERAL PURPOSE FUND EXPENDITURES (\$ in millions)**

Agency / Department	FY 2012-13 Adjusted Budget	FY 2012-13 Q3 YTD Actuals	FY 2012-13 Percent To Date	FY 2012-13 Year-End Estimate	FY 2012-13 Year-End \$ Over / (Under) Adjusted Budget	FY 2012-13 Year-End Over / (Under) as % of Adjusted Budget	Explanation of Overspending / (Savings)
MAYOR	1.32	1.12	85.0%	1.50	0.18	13.9%	Overspending anticipated due to personnel overages
CITY COUNCIL	3.08	2.27	73.9%	3.29	0.21	7.0%	Estimated overspending is associated with insufficient leave taking and delayed implementation of reductions
CITY ADMINISTRATOR	25.45	18.79	73.8%	24.88	(0.58)	(2.3%)	Anticipated savings primarily due to delayed implementation of CPRB intake
CITY ATTORNEY	4.34	2.95	68.0%	4.34	0.00	0.0%	City Attorney is projected to spend at budget.
CITY AUDITOR	0.90	0.99	109.7%	1.38	0.48	53.2%	Projected overspending is associated with delayed implementation of reductions
CITY CLERK	2.40	1.42	59.1%	2.29	(0.11)	(4.7%)	Personnel savings due to vacancy of Management Assistant in the beginning of fiscal year.
ADMINISTRATIVE SERVICES	6.95	5.24	75.4%	7.28	0.33	4.8%	The projected overspending in DIT is due to overages in the systems database section, due to insufficient leave taking. Finance and Management is achieving savings in the Budget and Operations unit. In Human Resources the overspending is attributed to a \$1.2m bad debt from the Port.
INFORMATION TECHNOLOGY	6.83	4.36	63.8%	6.38	(0.45)	(6.6%)	
FINANCE & MANAGEMENT	3.56	3.25	91.2%	4.20	0.84	17.9%	
HUMAN RESOURCES	169.21	129.51	76.5%	174.50	5.29	3.1%	Deficit primarily due to overtime costs for both sworn and civilian for patrol and 911 dispatch activities
POLICE SERVICES	95.53	68.73	71.9%	95.53	0.00	0.0%	Fire is expected to spend at budget
FIRE SERVICES	9.06	6.20	68.4%	9.06	0.00	0.0%	Library is expected to be at budget by year end.
LIBRARY SERVICES	12.40	9.11	73.5%	12.40	0.00	0.0%	OPR is anticipated to spend within budget.
COMMUNITY SERVICES	5.73	3.47	60.6%	5.73	0.00	0.0%	DHS is projected to spend at budget.
PARKS & RECREATION	0.24	0.22	91.4%	0.29	0.06	23.9%	Slight overspending due to insufficient leave-taking.
HUMAN SERVICES	1.40	0.75	53.7%	1.57	0.17	12.1%	Overspending primarily due to addition of Public Works Supervisor and overtime due to broken meter backlogs.
NEIGHBORHOOD SERVICES	0.00	0.00	0.0%	0.00	0.00	0%	
PUBLIC WORKS	0.00	0.00	0.0%	0.00	0.00	0%	
COMMUNITY & ECONOMIC DEVELOPMENT	0.00	0.00	0.0%	0.00	0.00	0%	
PLANNING, BUILDING & NEIGHBORHOOD PRESERVATION	0.00	0.00	0.0%	0.00	0.00	0%	
HOUSING & COMMUNITY DEVELOPMENT	66.28	47.09	71.1%	64.49	(1.78)	(2.7%)	Projected savings due to increased Central Service Overhead recovery.
NON-DEPARTMENTAL	414.68	305.47	73.7%	419.12	4.44	1.1%	Capital projects will be fully spent or carryforward.
SUBTOTAL	1.09	0.12	11.2%	1.09	0.00	0.0%	
CAPITAL IMPROVEMENT PROGRAM	\$415.76	\$305.59	50.8%	\$420.21	\$4.44	1.1%	
Total Expenditures							
*Net of Prior Year Carryforward							

**FY 2012-13 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (July 1, 2012 - March 31, 2013)**

OVERTIME ANALYSIS (in Dollars)

GENERAL PURPOSE FUND

Agency / Department	FY 2012-13 Adjusted Budget	FY 2012-13 Q1 YTD Overtime Actuals	FY 2012-13 Q2 YTD Overtime Actuals	FY 2012-13 Q3 YTD Overtime Actuals	FY 2012-13 Percent To Date	FY 2012-13 Year-End Estimate	FY 2012-13 Year-End's (Over/ Under Adjusted Budget	FY 2012-13 Year-End's % of Adjusted Budget	Explanation of Over / (Under) Collection
MAYOR	8,960	0	0	0	0.0%	0	8,960	100.0%	Mayor's Office not expected to utilize overtime budget.
CITY COUNCIL	260	10,207	8	248	95.6%	331	(71)	(27.4%)	
CITY ADMINISTRATOR	15,960	10,207	20,005	29,915	182.5%	39,886	(24,326)	(156.3%)	Overtime spending due to Parking Meter Collection in Revenue unit
CITY ATTORNEY	(570)	423	972	1,342	(235.5%)	1,790	(2,360)	414.0%	
CITY AUDITOR	0	1,923	80	80	0.0%	106	(106)	0.0%	
CITY CLERK	11,570	1,923	4,241	6,708	58.0%	8,944	2,626	22.7%	
ADMINISTRATIVE SERVICES	2,040	23,503	38,479	61,456	3012.5%	81,941	(79,901)	(3916.7%)	Overspending anticipated within the areas of Server Maintenance and Desktop Support
INFORMATION TECHNOLOGY	61,139	446	446	613	1.0%	817	60,322	98.7%	Finance is not expected to utilize full overtime budget
FINANCE & MANAGEMENT	26,980	4,138	4,722	11,919	45.2%	15,893	10,497	39.8%	HR is not expected to utilize full overtime budget
HUMAN RESOURCES	14,072,902	5,630,976	11,641,746	17,933,083	127.4%	23,465,020	(9,392,118)	(66.7%)	Historically low levels of sworn staffing leading to higher overtime costs.
POLICE SERVICES	135,990	3,665,594	6,518,055	8,292,419	6833.2%	12,389,892	(12,253,902)	(9010.9%)	Overtime spending offset by savings in personnel costs.
FIRE SERVICES	6,260	241	306	419	6.7%	559	5,701	91.1%	
LIBRARY SERVICES	0	875	1,545	1,545	0.0%	2,060	(2,060)	0.0%	
COMMUNITY SERVICES	0	613	973	4,745	0.0%	6,327	(6,327)	0.0%	Overtime spending related to Senior Center activities and fiscal operations.
PARKS & RECREATION	0	0	0	0	0.0%	0	0	0.0%	
HUMAN SERVICES	0	13,402	17,133	24,497	0.0%	32,662	(32,662)	0.0%	Overtime spending primarily due to meter repairs.
NEIGHBORHOOD SERVICES	0	0	0	0	0.0%	0	0	0.0%	
PUBLIC WORKS	0	0	0	0	0.0%	0	0	0.0%	
COMMUNITY & ECONOMIC DEVELOPMENT	0	0	0	0	0.0%	0	0	0.0%	
PLANNING, BUILDING & NEIGHBORHOOD PRESERVATION	0	0	0	0	0.0%	0	0	0.0%	
HOUSING & COMMUNITY DEVELOPMENT	0	0	0	0	0.0%	0	0	0.0%	
NON-DEPARTMENTAL	0	0	0	0	0.0%	0	0	0.0%	
CAPITAL IMPROVEMENT PROGRAM	0	0	0	0	0.0%	0	0	0.0%	
TOTAL	\$14,340,501	\$9,382,352	\$18,248,713	\$27,368,968	180.9%	\$36,046,228	(\$21,705,727)	(151.4%)	

**FY 2012-13 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (July 1, 2012 - March 31, 2013)**

OVERTIME ANALYSIS (in Dollars)

ALL FUNDS

Agency/Department	FY 2012-13 Adjusted Budget	FY 2012-13 Q1 YTD Overtime Actuals	FY 2012-13 Q2 YTD Overtime Actuals	FY 2012-13 Q3 YTD Overtime Actuals	FY 2012-13 Percent To Date	FY 2012-13 Year-End Estimate	FY 2012-13 Year-End's (Overly) Under Adjusted Budget	FY 2012-13 Year-End Under Adjusted Budget	Explanation of Over (Under) Collection
MAYOR	8,960	8	8	248	0.0%	331	8,960	100.0%	Mayor's Office not expected to utilize overtime budget.
CITY COUNCIL	260	17,094	37,872	54,396	95.6%	72,527	(71)	(27.4%)	Overtime spending due to Parking Meter Collection in Revenue and Economic Workforce Development units
CITY ADMINISTRATOR	15,850				343.2%		(56,677)	(357.6%)	
CITY ATTORNEY	(670)	423	972	1,342	(235.5%)	1,790	(2,360)	414.0%	
CITY AUDITOR	0		80	80	0.0%	106	(106)	0.0%	
CITY CLERK	11,570	2,404	5,302	8,107	70.1%	10,810	760	6.6%	
ADMINISTRATIVE SERVICES									
INFORMATION TECHNOLOGY	10,710	35,386	66,398	116,895	1091.5%	155,980	(145,150)	(1355.3%)	Overspending anticipated within the areas of Server Maintenance and Desktop Support
FINANCE & MANAGEMENT	64,309	493	650	1,122	1.7%	1,496	62,813	97.7%	
HUMAN RESOURCES	26,390	4,138	4,722	11,919	45.2%	15,893	10,497	39.8%	
POLICE SERVICES	14,835,143	5,955,218	12,059,032	18,576,193	125.2%	24,322,500	(9,487,352)	(64.0%)	Historically low levels of sworn staffing leading to higher overtime costs.
FIRE SERVICES	4,494,032	4,784,730	8,671,566	12,485,398	279.7%	16,647,197	(12,183,165)	(272.9%)	Overtime spending offset by savings in personnel costs.
LIBRARY SERVICES	6,260	2,668	3,150	3,635	58.1%	4,847	1,413	22.6%	
COMMUNITY SERVICES	0	1,158	1,545	1,545	0.0%	2,060	(2,060)	0.0%	Overtime spending related to Senior Center activities and fiscal operations.
PARKS & RECREATION	0	1,461	1,952	23,961	0.0%	31,814	(31,814)	0.0%	Overtime spending related to Sanitary Sewer Maintenance and Streets and Sidewalks development
HUMAN SERVICES									
PUBLIC WORKS	1,326,904	589,302	1,246,172	1,774,034	133.7%	2,365,379	(1,038,475)	(78.3%)	
COMMUNITY & ECONOMIC DEVELOPMENT	0	586	5,661	5,861	0.0%	7,814	(7,814)	0.0%	Overtime spending anticipated within the Engineering & Inspections division
PLANNING, BUILDING & NEIGHBORHOOD PRESERVATION	307,520	115,286	234,053	352,028	114.5%	469,371	(161,851)	(52.6%)	
HOUSING & COMMUNITY DEVELOPMENT	0	3,380	6,958	11,431	0.0%	15,242	(15,242)	0.0%	
NON-DEPARTMENTAL	0				0.0%		0	0.0%	
CAPITAL IMPROVEMENT PROGRAM	0				0.0%		0	0.0%	
TOTAL	\$21,077,343	\$11,513,734	\$22,345,293	\$33,428,095	158.6%	\$44,125,037	(\$23,047,694)	-109.3%	

Appendix A: Revenue Update

Revenue Type	FY 2012-13				
	Midcycle Budget	Q2 R&E	Q3 R&E	Variance Q2 to Q3	Variance Budget to Q3
Property Tax	\$ 125,166,501	\$ 139,683,955	\$ 140,635,054	\$ 951,099	\$ 15,468,553
Sales Tax	\$ 43,556,223	\$ 47,452,705	\$ 48,732,327	\$ 1,279,622	\$ 5,176,104
Business License Tax	\$ 51,800,000	\$ 54,500,000	\$ 58,000,000	\$ 3,500,000	\$ 6,200,000
Utility Consumption Tax	\$ 50,500,000	\$ 50,500,000	\$ 50,000,000	\$ (500,000)	\$ (500,000)
Real Estate Transfer Tax	\$ 28,490,000	\$ 40,084,915	\$ 40,000,000	\$ (84,915)	\$ 11,510,000
Transient Occupancy Tax	\$ 10,864,502	\$ 11,227,054	\$ 12,312,286	\$ 1,085,232	\$ 1,447,784
Parking Tax	\$ 8,103,857	\$ 8,347,386	\$ 9,009,346	\$ 661,960	\$ 905,489
Licenses & Permits	\$ 925,570	\$ 925,570	\$ 1,427,188	\$ 501,618	\$ 501,618
Fines & Penalties	\$ 25,425,535	\$ 21,579,382	\$ 19,962,898	\$ (1,616,484)	\$ (5,462,637)
Interest Income	\$ 800,000	\$ 800,000	\$ 800,000	\$ -	\$ -
Service Charges	\$ 43,338,382	\$ 42,865,471	\$ 43,338,382	\$ 472,912	\$ -
Grants & Subsidies	\$ 160,672	\$ 160,672	\$ 160,672	\$ -	\$ -
Miscellaneous	\$ 2,733,000	\$ 733,000	\$ 712,465	\$ (20,535)	\$ (2,020,535)
Interfund Transfers	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000	\$ -	\$ -
Subtotal Revenue	\$ 395,064,242	\$ 422,060,109	\$ 428,290,617	\$ 6,230,508	\$ 33,226,374
Transfers from Fund Balance	\$ 14,282,521	\$ -	\$ -	\$ -	\$ (14,282,521)
Total Revenues	\$ 409,346,763	\$ 422,060,109	\$ 428,290,617	\$ 6,230,508	\$ 18,943,853
Replenishment of GPF Reserve using excess RETT <i>Per Ordinance No. 13134 C.M.S.</i>	\$ -	\$ -	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000

Revenue Type	FY 2013-14			FY 2014-15		
	Proposed Budget	May Revision	Variance	Proposed Budget	May Revision	Variance
Property Tax	\$ 144,448,852	\$ 144,468,000	\$ 19,148	\$ 150,928,777	\$ 151,358,000	\$ 429,223
Sales Tax	\$ 47,208,326	\$ 48,893,000	\$ 1,684,674	\$ 48,624,575	\$ 50,360,000	\$ 1,735,425
Business License Tax	\$ 58,486,270	\$ 59,240,000	\$ 753,730	\$ 60,240,858	\$ 61,017,000	\$ 776,142
Utility Consumption Tax	\$ 50,588,732	\$ 50,000,000	\$ (588,732)	\$ 50,588,732	\$ 50,000,000	\$ (588,732)
Real Estate Transfer Tax	\$ 39,453,990	\$ 40,000,000	\$ 546,010	\$ 40,637,610	\$ 40,000,000	\$ (637,610)
Transient Occupancy Tax	\$ 12,006,316	\$ 12,620,000	\$ 613,684	\$ 12,246,442	\$ 12,936,000	\$ 689,558
Parking Tax	\$ 8,531,028	\$ 9,235,000	\$ 703,972	\$ 8,701,649	\$ 9,466,000	\$ 764,351
Licenses & Permits	\$ 1,386,726	\$ 1,427,188	\$ 40,462	\$ 1,413,858	\$ 1,455,731	\$ 41,873
Fines & Penalties	\$ 23,498,995	\$ 22,498,995	\$ (1,000,000)	\$ 22,568,807	\$ 21,568,807	\$ (1,000,000)
Interest Income	\$ 740,482	\$ 740,482	\$ -	\$ 740,482	\$ 740,482	\$ -
Service Charges	\$ 43,662,137	\$ 43,912,137	\$ 250,000	\$ 43,919,082	\$ 44,169,082	\$ 250,000
Grants & Subsidies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ 1,299,320	\$ 1,299,320	\$ -	\$ 4,824,320	\$ 4,824,320	\$ -
Interfund Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Revenue	\$ 431,311,174	\$ 434,334,122	\$ 3,022,948	\$ 445,435,192	\$ 447,895,423	\$ 2,460,231
Transfers from Fund Balance	\$ (1,155,562)	\$ (1,155,562)	\$ -	\$ 11,966,492	\$ 11,966,492	\$ -
Total Revenues	\$ 430,155,612	\$ 433,178,560	\$ 3,022,948	\$ 457,401,684	\$ 459,861,915	\$ 2,460,231
Replenishment of GPF Reserve using excess RETT <i>Per Ordinance No. 13134 C.M.S.</i>	\$ -	\$ 365,000	\$ 365,000	\$ -	\$ 1,980,000	\$ 1,980,000

Appendix B: General Purpose Fund Balance Projection Summary

	May 10, 2013	May 17, 2013
	Audited & Proposed	Audited & Proposed
Gross ending Fund Balance	\$ 84,600,000	\$ 84,600,000
Outstanding Encumbrance, Early Recog. RPTT & Property Sales Used to Balance the Budget	\$ (17,982,521)	\$ (17,982,521)
Net Available Ending Fund Balance:	\$ 66,617,479	\$ 66,617,479
7.5% Mandated Reserved Level (Designated Fund Balance)	\$ (32,261,671)	\$ (32,261,671)
Council Approved Action since July 2012-April 2013 & Recognized Revenue (\$2.48M)	\$ (3,087,987)	\$ (3,087,987)
General Purpose Fund Balance Projection with Known Council Actions	\$ 31,267,821	\$ 31,267,821
PROPOSED USE OF THE FUND BALANCE:		
Reverse \$14.28 M Transfer from the Fund Balance in FY 2012-13	\$ 12,882,521	\$ 12,882,521
Projected Revenue Growth by June 30, 2013 (Q2 report)	\$ 14,120,000	\$ 14,120,000
Projected Operating Surplus (Q 3 report)	\$ 6,200,000	\$ 6,200,000
Reverse Land Sale Subject to State Review	\$ (32,500,000)	\$ (32,500,000)
Pending Litigation Settlement	\$ (4,300,000)	\$ (7,000,000)
Police Overtime in FY 2012-13 (per 2nd Qr report)	\$ (7,700,000)	\$ (4,400,000)
Use for FY 2013-15 Budget Balance Measures (updated 4/14/2013)	\$ (10,810,930)	\$ (10,810,930)
Subsidize Head Start Partial Cuts (34 families, Eastmont Ctr)	\$ (300,000)	\$ (300,000)
Compliance Director's Salary (Court Order 4/17/13, thru Dec. 2014)	\$ (540,000)	\$ (540,000)
Compliance Director's Staff & Exp. (Court Order Dated 4/17/13), \$450K/yr X 2 (Dec. 14)	\$ (945,110)	\$ (945,110)
Compliance Director's Remedial Action Plan (May 1)	\$ (1,825,000)	\$ (1,825,000)
Additional Set aside for Remedial Action Plan Cost	\$	\$ (1,000,000)
Recommendation from Strategic Policy Partners	\$	\$ (368,500)
Restore Graphic Design Specialist (Part-Time)	\$	\$ (160,000)
Set Aside for Public Safety Radio Replacement and Upgrade	\$	\$ (3,042,000)
Projected Balance as of June 30, 2013	\$ (650,698)	\$ 1,578,802

Notes:

¹ Some additional fund balance will be required for NSA/Compliance Director-Court Order implementation (\$TBD).

² Fiscal impact of additional State actions regarding DOF/Controller's Office review have a potential fiscal impact (\$TBD).

Appendix C: Historical Budget vs. Actual General Purpose Fund Revenue

	FY08			FY09			FY10		
	Actuals	Budget	Variance	Actuals	Budget	Variance	Actuals	Budget	Variance
01 - Property Tax	\$131,744,660	\$121,718,765	\$10,025,895	\$134,474,504	\$134,501,900	\$ (27,396)	\$131,781,702	\$129,843,920	\$1,937,782
02 - Sales Tax	\$53,089,829	\$48,984,036	\$4,125,793	\$46,122,489	\$46,590,000	\$ (467,531)	\$35,876,786	\$33,440,000	\$2,436,786
03 - Vehicle License Fee	\$1,810,683	\$3,043,170	\$ (1,232,487)	\$1,281,723	\$1,090,700	\$191,023	\$1,250,869	\$1,089,520	\$161,349
04 - Gas Tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
05 - Business License Tax	\$52,541,762	\$47,920,000	\$4,621,762	\$54,289,930	\$53,000,000	\$1,289,930	\$54,137,582	\$52,100,400	\$2,037,182
06 - Utility Consumption Tax	\$52,524,442	\$52,177,510	\$346,932	\$52,701,278	\$54,000,000	\$ (1,298,722)	\$51,106,503	\$50,497,000	\$609,503
07 - Real Estate Transfer Tax	\$36,205,017	\$67,217,400	\$ (31,012,383)	\$34,266,148	\$32,590,000	\$1,676,148	\$36,971,710	\$28,490,000	\$8,481,710
08 - Transient Occupancy Tax	\$12,200,531	\$12,363,875	\$ (163,344)	\$10,460,807	\$10,099,000	\$361,807	\$8,471,713	\$8,436,533	\$35,181
09 - Parking Tax	\$8,523,565	\$9,454,547	\$ (930,982)	\$7,655,031	\$7,123,600	\$531,431	\$7,522,988	\$7,156,550	\$366,438
10 - Local Tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
11 - Licenses & Permits	\$1,607,539	\$1,231,192	\$376,347	\$1,281,689	\$1,309,705	\$ (28,016)	\$720,436	\$626,483	\$93,953
12 - Fines & Penalties	\$21,939,433	\$27,331,072	\$ (5,391,639)	\$25,566,910	\$25,025,000	\$541,910	\$27,352,869	\$28,172,784	\$ (819,915)
13 - Interest Income	\$4,466,914	\$-	\$4,466,914	\$1,706,198	\$2,000,000	\$ (293,802)	\$1,100,078	\$1,640,000	\$ (539,922)
14 - Service Charges	\$44,063,267	\$46,657,366	\$ (2,594,100)	\$43,851,618	\$45,914,569	\$ (2,062,952)	\$45,030,416	\$46,634,130	\$ (1,603,714)
15 - Internal Service Funds	\$28,223	\$-	\$28,223	\$44,350	\$34,845	\$9,505	\$9,550	\$-	\$9,550
16 - Grants & Subsidies	\$4,647,185	\$83,504	\$4,563,681	\$4,307,889	\$3,608,072	\$699,817	\$1,950,469	\$2,267,394	\$ (316,925)
17 - Miscellaneous Revenue	\$4,041,446	\$2,652,788	\$1,388,658	\$11,430,701	\$11,478,333	\$ (47,632)	\$8,043,321	\$8,056,854	\$ (13,533)
18 - Fund Transfers	\$25,695,366	\$42,190,427	\$ (16,495,061)	\$38,689,296	\$38,645,884	\$43,412	\$21,855,950	\$27,141,485	\$ (5,285,535)
Grand Total	\$455,129,861	\$483,005,653	\$ (27,875,792)	\$468,130,541	\$467,011,608	\$1,118,933	\$433,182,944	\$425,593,053	\$7,589,891
% of Variance			-5.77%			0.24%			1.78%

	FY11			FY12			FY13		
	Actuals	Budget	Variance	Actuals	Budget	Variance**	Proj. Actuals	Budget	Variance***
01 - Property Tax	\$126,682,293	\$125,154,720	\$1,527,573	\$138,796,954	\$125,166,501	\$13,630,453	\$140,635,054	\$125,166,501	\$15,468,553
02 - Sales Tax	\$41,235,072	\$36,142,420	\$5,092,652	\$44,740,906	\$38,794,400	\$5,946,506	\$48,732,327	\$43,556,223	\$5,176,104
03 - Vehicle License Fee	\$2,168,209	\$1,111,310	\$1,056,899	\$-	\$-	\$-	\$-	\$-	\$-
04 - Gas Tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
05 - Business License Tax	\$53,138,616	\$50,813,310	\$2,325,306	\$58,548,809	\$50,869,280	\$7,679,529	\$58,000,000	\$51,800,000	\$6,200,000
06 - Utility Consumption Tax	\$53,440,475	\$50,800,000	\$2,640,475	\$51,434,031	\$51,176,611	\$257,420	\$50,000,000	\$50,500,000	\$ (500,000)
07 - Real Estate Transfer Tax	\$31,607,438	\$33,490,000	\$ (1,882,562)	\$30,546,398	\$28,490,000	\$2,056,398	\$43,000,000	\$28,490,000	\$14,510,000
08 - Transient Occupancy Tax	\$9,544,822	\$8,641,950	\$902,872	\$10,713,948	\$8,728,370	\$1,985,578	\$12,312,286	\$10,964,502	\$1,447,784
09 - Parking Tax	\$8,512,868	\$7,518,970	\$993,898	\$8,616,474	\$7,669,349	\$947,125	\$9,009,346	\$8,103,857	\$905,489
10 - Local Tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
11 - Licenses & Permits	\$888,147	\$685,027	\$203,120	\$1,158,650	\$939,660	\$218,990	\$1,427,188	\$925,570	\$501,618
12 - Fines & Penalties	\$24,288,276	\$31,956,210	\$ (7,667,934)	\$24,246,700	\$24,067,590	\$179,110	\$19,962,898	\$25,425,535	\$ (5,462,637)
13 - Interest Income	\$1,041,723	\$1,640,000	\$ (598,277)	\$740,482	\$800,000	\$ (59,518)	\$800,000	\$800,000	\$-
14 - Service Charges	\$44,646,816	\$48,096,516	\$ (3,449,700)	\$45,948,737	\$44,420,726	\$1,528,012	\$43,338,382	\$43,338,382	\$-
15 - Internal Service Funds	\$(932)	\$-	\$(932)	\$505	\$-	\$505	\$160,672	\$160,672	\$-
16 - Grants & Subsidies	\$82,346	\$157,901	\$ (75,555)	\$229,107	\$10,000	\$219,107	\$712,465	\$2,733,000	\$ (2,020,535)
17 - Miscellaneous Revenue	\$6,477,660	\$9,465,199	\$ (2,987,539)	\$32,079,762	\$31,135,721	\$944,041	\$3,200,000	\$3,200,000	\$-
18 - Fund Transfers	\$17,091,732	\$12,724,215	\$4,367,518	\$1,718,023	\$2,500,000	\$ (781,977)	\$-	\$14,282,521	\$ (14,282,521)
Grand Total	\$420,845,562	\$418,397,748	\$2,447,814	\$449,519,489	\$414,768,208	\$34,751,281	\$431,290,616	\$409,346,763	\$21,943,853
% of Variance			0.59%			8.38%			5.36%

Notes:

* beginning of the Great Recession

*** beginning of the economic recovery

*** Approximately \$13 million of Property Tax is due to dissolution of Redevelopment Agency