

CITY OF OAKLAND COUNCIL AGENDA REPORT

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Budget Office
DATE: December 14, 2004
RE: Report on FY 2004-05 First Quarter Revenue and Expenditure Results and Year-End Projections for City's Selected Funds (General Purpose, Telecommunications, Contract Compliance, Equipment and Facilities)

INTRODUCTION

This is a quarterly report on City's year-to-date (July 1 through September 30, 2004) and year-end projected revenues and expenditures for the five selected funds (including the General Purpose, Telecommunications, Contract Compliance, Equipment and Facilities funds).

SUMMARY OF FIRST QUARTER FINDINGS

The City's financial conditions continue to be stable, despite the weak economic conditions and local revenue "take-backs" by the State. The City's revenues and actual spending remain balanced, mainly due to conservative budgeting methods utilized during the FY 2003-05 budget development, when both the worsened economy and revenue cuts by the State were anticipated and included in the equation.

The First Quarter Revenue & Expenditure (R&E) Report for the current fiscal year (FY 2004-05) projects a slight surplus in the City's largest fund – the General Purpose Fund (GPF). The First Quarter R&E includes an analysis of revenues and expenditures for the GPF and four other funds for the three-month period of July 1, 2004 through September 30, 2004. It also projects year-end revenues and expenditures for these funds, and highlights significant trends. The summary tables on the following page reflect the First Quarter R&E results, as follows:

In the General Purpose Fund, a \$0.10 million surplus is projected in this fund by year-end, in line with the FY 2004-05 Midcycle Amended Budget.

In the Telecommunications Reserve / Cable Franchise Fund, a \$0.21 million borrowing from the fund balance is projected by year-end – a slight decrease from the \$0.25 million authorized in the FY 2004-05 Midcycle Amended Budget.

In the Contract Compliance Fund, a \$0.46 million borrowing from the fund balance is projected by year-end – a slight increase from the \$0.36 million authorized in the FY 2004-05 Midcycle Amended Budget.

In the Equipment Fund, a \$3.93 million borrowing from the fund balance is projected by year-end, slightly higher than the \$3.79 million authorized in the FY 2004-05 Midcycle Amended Budget.

In the Facilities Fund, a \$1.83 million borrowing from the fund balance is projected by year-end – a decrease from the \$2.83 million authorized in the FY 2004-05 Midcycle Amended Budget.

This report includes the detailed *overtime spending* analysis. The details by agency / department, for the General Purpose Fund and all funds, are provided in *Attachment F*.

Finance and Management

December 14, 2004

Item # _____

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
SUMMARY (\$ in millions)

A. GENERAL PURPOSE FUND (#1010)

	FY 2004-05 Midcycle Budget	FY 2004-05 1st Quarter Adjusted Budget	1st Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$404.04	\$414.37	\$80.60	19.5%	\$425.49
Expenditures	\$403.96	\$414.30	\$105.30	25.4%	\$425.38
Variance	\$0.08	\$0.07			\$0.10

B. TELECOMMUNICATIONS FUND (#1760)

	FY 2004-05 Midcycle Budget	FY 2004-05 1st Quarter Adjusted Budget	1st Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$0.93	\$0.93	\$0.01	1.1%	\$0.90
Expenditures	\$1.19	\$1.19	\$0.26	22.0%	\$1.11
Variance	(\$0.25)	(\$0.25)			(\$0.21)

C. CONTRACT COMPLIANCE FUND (#1790)

	FY 2004-05 Midcycle Budget	FY 2004-05 1st Quarter Adjusted Budget	1st Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$0.84	\$0.84	\$0.15	18.0%	\$0.74
Expenditures	\$1.20	\$1.20	\$0.31	25.5%	\$1.20
Variance	(\$0.36)	(\$0.36)			(\$0.46)

D. EQUIPMENT FUND (#4100)

	FY 2004-05 Midcycle Budget	FY 2004-05 1st Quarter Adjusted Budget	1st Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$12.16	\$23.83	\$3.02	12.7%	\$15.15
Expenditures	\$15.95	\$27.63	\$2.61	9.4%	\$19.08
Variance	(\$3.79)	(\$3.79)			(\$3.93)

E. FACILITIES FUND (#4400)

	FY 2004-05 Midcycle Budget	FY 2004-05 1st Quarter Adjusted Budget	1st Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$15.97	\$16.26	\$3.95	24.3%	\$16.00
Expenditures	\$18.80	\$19.09	\$3.05	16.0%	\$17.84
Variance	(\$2.83)	(\$2.83)			(\$1.83)

FISCAL IMPACT

While the year-end projected revenues and expenditures for all five presented funds are in line with budgeted estimates (and the General Purpose Fund in particular is shown as balanced by year-end), variances from the budgeted amounts are forecast for both GPF expenditures and revenues. Specifically, \$11.08 million overspending is projected for the GPF by year-end (mainly due to OPD's cost overruns; see *Attachment A-2* for details) – which will be offset by \$11.11 million revenue over-collection (mainly due to a continued strength in the Real Estate Transfer Tax receipts; see *Attachment A-1* for details).

Resolution # 78615 approved by the City Council on June 15, 2004 (see *Attachment G* for a copy), requires that "the City Administrator seek City Council direction if the Budget Office's quarterly reports for the General Purpose Fund project overspending (from the current Adjusted Budget) by year-end in any agency / department of the City, even though such overspending may be covered by savings or additional revenues outside of the agency / department", and allows the City Council to "direct the City Administrator to reduce the rate of spending in particular City agencies / departments to minimize or avoid year-end overspending", by "request[ing] specific cost-cutting measures or leav[ing] it to the City Administrator's discretion."

Since the GPF overspending is projected by year-end (although fully covered by the additional revenues), staff is seeking the City Council direction on any actions required by the overspending departments.

DISCUSSION

This report is organized by fund. In each section, included is the discussion of: a) actual collection and projections of revenues by type, along with the factors influencing them; and b) actual spending and year-end expenditure projections by agency / department, along with the factors influencing them.

In addition to the items influencing budgets of various agencies / departments and/or funds, a number of factors impact the FY 2004-05 budget Citywide, as follows:

Additional Retirement Contribution from Local 21, IBEW, Attorneys and Unrepresented. The R&E analysis reflects a contribution of an additional 3.0 percent towards retirement by all non-sworn, non-Local 790 employees (i.e. Local 21, IBEW, Attorney V & Special Counsel, and unrepresented) during the entire FY 2004-05. This is being implemented through automatic payroll deductions.

Local 790 Layoffs. For Local 790 union members, who opted to not provide the additional 3.0 percent retirement contributions, the City Council directed the City Administrator to implement layoffs to achieve corresponding savings. Local 790 layoffs (resulting in 45 employees losing their jobs) were implemented effective August 31, 2004.

Vacancy Factor. In the FY 2004-05 budget, a 6.0 percent vacancy factor is assumed for most non-sworn positions in most agencies / departments, across all funds. This reflects an assumption that an average of 6.0 percent of all positions are vacant at any given point during the fiscal year. All sworn positions are exempted from the vacancy discount, and so are the select positions in offices with historically low vacancies or high backfill rates (such as the Mayor, City Council, City Auditor, etc.)

The discussion of the individual funds included in this R&E analysis is presented starting on page 5, following an overview of the economy and current political and legal issues.

GENERAL ECONOMIC OVERVIEW

As of October 2004, economic indicators continue to portray a strong national economy, although there were some signs of softening late in the month. Employment numbers continue to be subject to interpretation. Gross Domestic Product over the last four quarters ending in September 2004 has averaged a healthy, though unspectacular, 3.9 percent growth.

Inflation, which had blipped upward in the spring of 2004, fell back over the summer despite record-breaking oil prices: from September 2003 to September 2004, growth in the consumer price index (CPI) was a mild 2.5 percent. Paradoxically, the Bay Area's CPI increases are being kept low by the nation's red-hot housing market. The CPI only looks at rents in its housing component, and the demand to buy has caused landlords to lower rents in response, thus contributing to a lower CPI.

Despite three consecutive interest rate increases by the Federal Reserve Board, mortgage rates remain relatively low. In mid-October, mortgage rates tumbled to their lowest levels in six months, and in late October a leading mortgage industry trade group forecast low rates through the end of 2005. Analysts cited concerns about economic growth triggered by the Iraqi war, high oil prices, and tepid job growth as factors dampening rate growth.

Differences of opinion on employment data were dramatized in the presidential campaign. Senator Kerry emphasized that not enough payroll jobs are being generated to keep up with the new employees being added to the labor market. President Bush pointed to an unemployment rate that was low by historical standards. Both sides were right, since they relied on different data sets. The measure of net jobs added to the economy comes from surveys of companies' payrolls, while the unemployment rate is derived from surveys of households. Payroll jobs being created are relatively low, but so in fact is the unemployment rate, if compared with levels over the last twenty years. The disparity implies that large numbers of people are dropping out of the labor market and are thus not counted in the unemployment rate calculation. Senator Kerry's position was that these labor market dropouts have either become too discouraged to keep looking or have accepted a low-paying job. The Bush camp maintains more people these days are happily self-employed.

Oakland's September 2004 unemployment rate is estimated at 8.4 percent – down from 9.9 percent in March. The cause of this decrease is not clear at this time.

OUTLOOK FOR THE FUTURE

Economic forecasts in the financial press are still positive, but have grown less so in recent months. The main concerns cited are oil prices, Iraq, and the job market. Higher oil prices can be particularly pernicious, since they can raise inflation at the same time as they depress economic activity. The Conference Board's index of leading economic indicators dropped for the fourth consecutive month in September, although these decreases have been relatively small. Job growth of 1.5 percent is forecast for the East Bay for 2005. Prudent forecast calls for a modest economic expansion to continue over the next two years.

CURRENT POLITICAL/LEGAL ISSUES

Proposition 1A was overwhelmingly passed by State voters on November 2, receiving a strong 83.6 percent voter approval. The proposition will amend the California Constitution, and is the result of negotiations between the Governor's Office and local government officials, with the League of California Cities playing a key role. For R&E purposes, the main provision of Proposition 1A is that local governments will contribute \$1.3 billion to the State in FY 2004-05 and

FY 2005-06, but will thereafter be protected from State 'raids'. Oakland's share of the \$1.3 billion additional payment is estimated at \$6.9 million in each of the two years (i.e. FY 2004-05 and FY 2005-06). In addition, local governments receiving Vehicle License Fee "backfill" funds will receive additional property tax dollars instead – in equal amounts.

Finally, Proposition 1A provides for the State to pay back (in FY 2006-07) the VLF "backfill" amounts it borrowed from municipalities in FY 2003-04. However, analysts state that this payback is contingent on the State's fiscal health. Since the Governor balanced the FY 2004-05 State Budget with numerous one-time fixes, deals and loans, it is likely the State will face multi-billion shortfalls over the near future, and will lack the funds to make the VLF paybacks. The FY 2003-04 "backfill loan" amount for Oakland was approximately \$6.9 million.

A. GENERAL PURPOSE FUND

REVENUE HIGHLIGHTS

The City's revenues are projected to end the year over budget, and are being bolstered primarily by greater than expected real estate and construction activity. *Attachment A-1* shows budgeted revenues for 2004-05, actual revenues for the first quarter, and year-end projections. **General Purpose Fund (GPF) total revenues are projected to end the year at \$425.49 million; which is \$11.11 million above the FY 2004-05 adjusted budget.**

The Real Estate Transfer Tax (RETT) continues its record-shattering pace from FY 2003-04. Prior to FY 2004-05, the highest RETT revenue recorded in a single month was \$6.07 million, which was collected in December 2003. The first four months of FY 2004-05 averaged \$6.69 million, or 10.33 million higher per month than the previous one-time record. This phenomenon can partly be attributed to low interest rates, but Oakland is also benefiting from an increased demand for housing that finds few other outlets in the built-up Bay Area. The RETT's volatility makes it difficult to forecast, and its rapid ascent raises concerns that we may be experiencing a real estate bubble. The year-end estimate for FY 2004-05 is a relatively conservative \$59.00 million, \$11.99 million above budget.

The City is also seeing strong construction and construction-related activity, boosting both Licenses & Permits revenue and Public Works fees, which are a component of service charges.

Small shortfalls are forecast for Fines and Penalties, Transient Occupancy Tax and the Parking Tax. These are discussed in the following section, which analyzes the individual revenue categories in detail.

Property Tax

Property tax revenue collected through the end of the first quarter was \$1.59 million, a 75.5 percent decrease over the first quarter of FY 2003-04. This \$1.59 million represents 1.8 percent of the current budget of \$89.82 million.

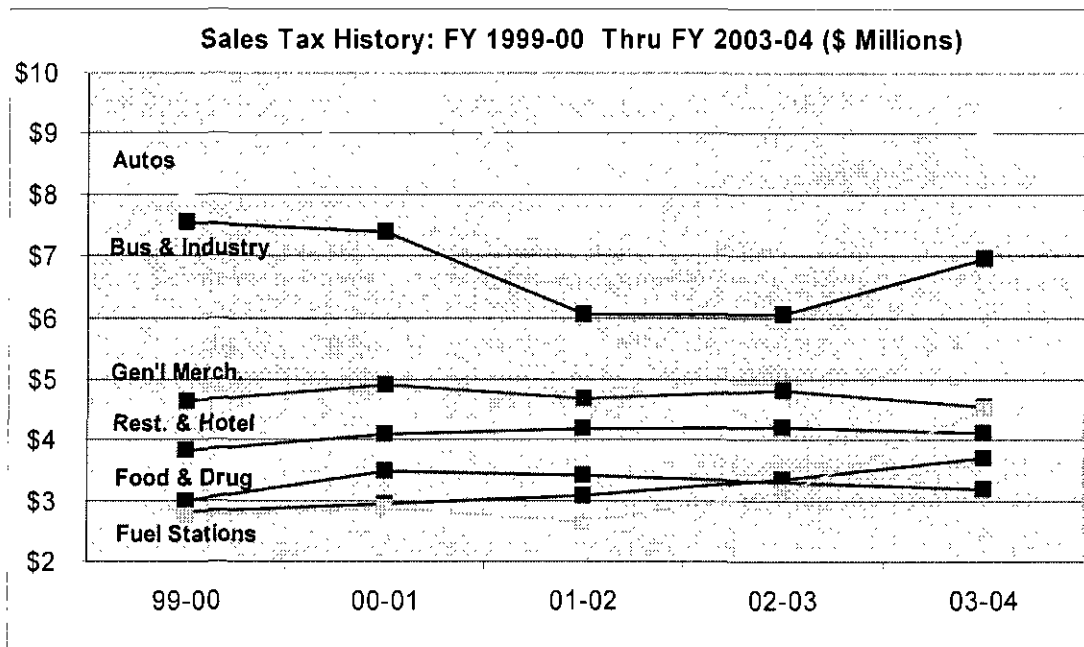
The decrease in property tax received is a timing problem in receiving payment from the County, not an actual shortfall. **Property tax revenue is projected to end the year at \$90.43 million.** This represents a surplus of \$0.61 million, which is due to a variance between initial State estimates of Oakland's share of the VLF-property tax 'swap', and current estimates. The \$0.61 million property tax surplus will have an offsetting \$0.61 million VLF deficit. Please see the VLF analysis below for additional detail.

Sales Tax

Sales tax revenue through the first quarter was \$7.19 million – a 24.4 percent decrease compared with the first quarter of FY 2003-04. This \$7.19 million represents 17.4 percent of the current

budget of \$41.41 million, and reflects only two months' worth of sales tax revenue, due to a delay in posting.

The chart below shows that over the past few years, the composition of the Sales Tax revenue has changed. Specifically, the Business & Industry category slipped in the last couple of years, but then regained its strength in FY 2003-04. At the same time, revenues generated by the Fuel Stations category have increased in FY 2003-04, as a result of the combination of higher gasoline prices and one quarter's worth of receipts from the United Airlines fuel sales agreement. No other categories have experienced major changes in their performance, with the Auto sector still remaining the largest component of Oakland's sales tax.



Based on past seasonal patterns of collection, we **project year-end sales tax to be \$41.78 million** – \$0.37 million above budget. Detailed data are not yet available to explain a slightly higher than expected first quarter results.

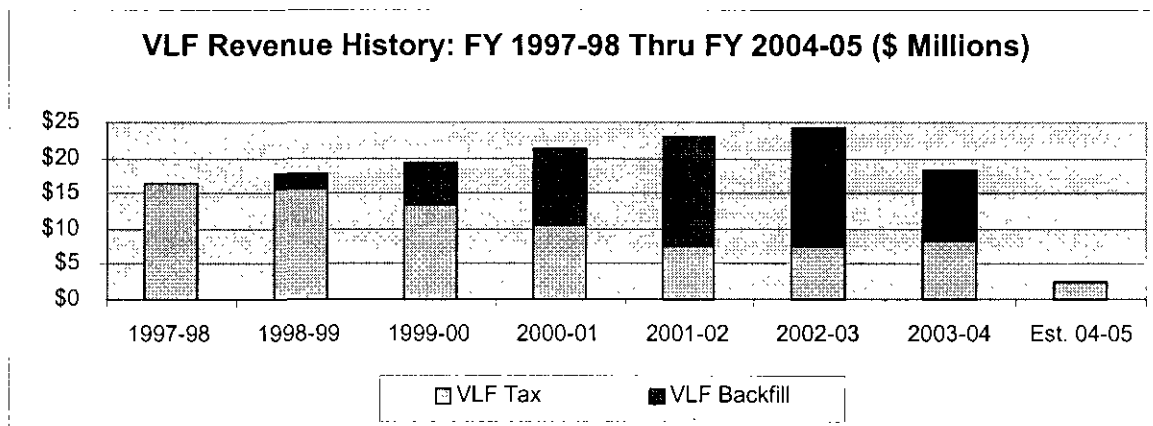
Some changes in the local retail market that are reflected in our projections include:

- A Home Depot opening in August 2004, replacing the High Street K-Mart.
- A new Wal-Mart at the corner of Hegenberger and I-880 (its scheduled opening has been pushed back to May 2005).
- A new Whole Foods store at Harrison and Grand Avenue (its opening has also been pushed back from the spring of 2005 to November 2005).

Vehicle License Fee (VLF) Tax and Backfill

Proposition 1A, recently approved by voters statewide, contains many provisions affecting the relationship between the State and local governments. One provision involves a VLF-property tax 'swap', under which Oakland will receive additional property tax revenue, with an offsetting loss of VLF backfill revenue. The swap is one-to-one. This swap explains the precipitous drop in VLF revenue from FY 2003-04 to FY 2004-05.

We originally estimated the swap would be about \$21.4 million, based on our understanding of how the swap would be calculated. New information suggests the swap amount will be closer to \$22.01 million. The effect of this variance from budget is to increase property tax revenue by \$0.61 million and decrease VLF revenue by the same amount.



The chart above illustrates that all the VLF backfill, which had comprised the majority of VLF revenue in FY 2001-02 and FY 2002-03, disappears in FY 2004-05, and only \$2.44 million in VLF tax is expected to be received in FY 2004-05.

Business License Tax (BLT)

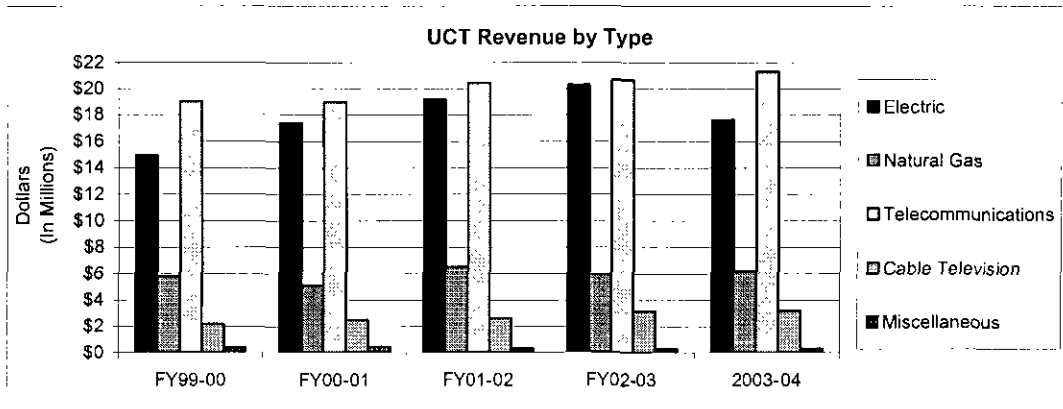
The BLT revenue through the end of the first quarter was \$1.39 million – 13.3 percent higher than first quarter receipts in FY 2003-04. The \$1.39 million is 3.1 percent of the current budget of \$44.66 million.

BLT payments are due January 1 and become delinquent on March 2. Hence, as much as ninety percent of BLT revenue is collected between January and March, and the first quarter data are not very compelling in projecting year-end totals. In FY 2003-04, an unusually high number of liens were recorded in this account, thus artificially inflating the FY 2003-04 year-end total to \$44.28 million. Adjusted for the one-time liens, the FY 2003-04 total would be \$43.36 million. A three percent growth assumption applied to that adjusted total (based on this revenue's historical growth, and taking into account the recent slowdown in some business sectors) would result in a \$44.66 million BLT collection by the end of FY 2004-05. Therefore, **we forecast FY 2004-05 BLT revenue will end the year at the budgeted \$44.66 million.**

Utility Consumption Tax (UCT)

UCT revenue through the end of the first quarter was \$12.70 million, which is 31.7 percent higher than first quarter revenue in FY 2003-04 (the first quarter of FY 2003-04 contained an unusually low payment from PG&E). The \$12.70 million represents 26.1 percent of the current budget of \$48.61 million.

The chart on the following page reflects historical performance of the various UCT components. It shows that the electric and telecommunications categories have historically contributed the largest shares to the UCT revenue, therefore influencing its overall performance. The electric portion of the revenue fell in FY 2003-04 as a result of PUC-approved price decreases, while the telecommunications piece increased.

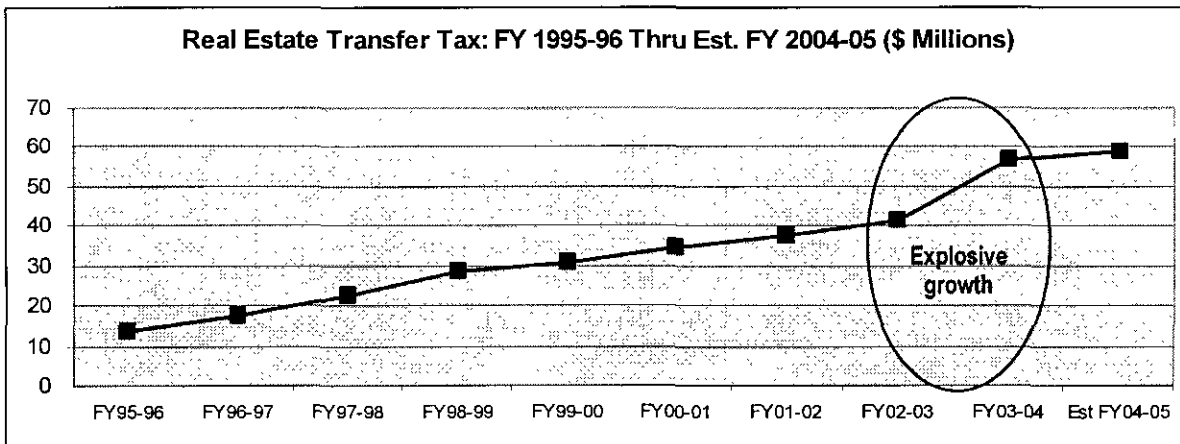


Through the first quarter of the current year, UCT revenue as a whole was on track with budget. Within the UCT, cable TV revenue was up 11.23 percent over FY 2003-04, while telecommunications showed 3.95 percent growth. These gains were offset by a 4.13 percent decrease in energy (electricity and natural gas). Under the assumption that these trends will continue, **year-end UCT revenue is projected at the budgeted amount of \$48.67 million.**

Real Estate Transfer Tax (RETT)

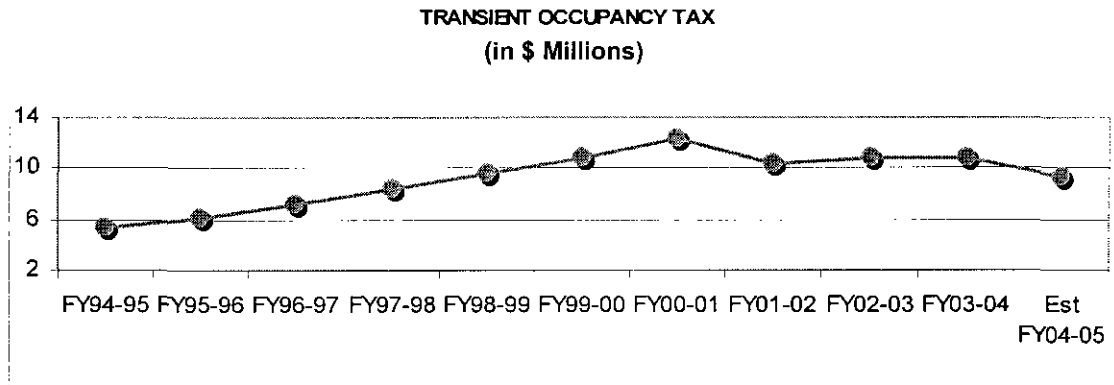
RETT revenue through the end of the first quarter was \$20.75 million, which is 57.8 percent higher than first quarter collections in FY 2003-04. The \$20.75 million represents 44.1 percent of the current budget of \$47.01 million.

RETT revenue growth for the first quarter of this year (and much of the last year) has been so explosive that it leads to fears that a bubble has formed and may burst, deflating future revenue. At this time, based on year-to-date projections and assumptions about future months' collections, **we are conservatively projecting RETT to end the year at \$59.00 million (25.51 percent above last year's actual).**



Transient Occupancy Tax (TOT)

TOT revenue collected through the end of the first quarter was \$2.38 million, which is 7.61 percent lower than first quarter collections in FY 2003-04. The \$2.38 million represents 24.01 percent of the current budget.



The City's hotel industry has never returned to its pre-September 11th performance levels, as the chart above shows. The TOT revenue was \$12.37 million in FY 2000-01; went down drastically, to \$10.41 million, in FY 2001-02; increased only slightly, to \$10.87 million, in FY 2002-03; and was an artificially high \$10.76 million in FY 2003-04 (inflated by about \$0.74 million in liens not present in a normal year). Although year-to-date collections are at 24.01 percent of budget, TOT revenue generally displays a pronounced seasonal component and we are **projecting year-end revenue to come in at just \$9.28 million, or \$0.65 million under budget.**

Parking Tax

Parking tax revenue is imposed on the occupant of an off-street parking space – in a lot or a garage – for the privilege of renting that space. It is collected by the facility operator and then remitted to the City.

Parking Tax revenue through the end of the first quarter was \$2.10 million, 5.4 percent lower than first quarter collections in FY 2003-04. The \$2.10 million represents 22.1 percent of the current year budget of \$9.52 million. Parking tax receipts began falling off in the fourth quarter of FY 2003-04 and this trend is continuing through the first quarter of FY 2004-05. **We are projecting to end the year at \$9.00 million, or \$0.52 million below budget.**

Licenses & Permits

Licenses & Permits revenue through the end of the first quarter was \$3.49 million, 7.3 percent higher than first quarter collections in FY 2003-04. The \$3.48 million represents 23.8 percent of the current budget.

As the table on the following page illustrates, the Licenses and Permits group is comprised primarily of building licenses and permit revenue, including new construction and remodels and additions. Ninety percent of this category comes from a combination of construction permits and permits related to construction, such as sidewalk/driveway, sewer, grading and excavating, encroachment and obstruction. Another six percent comes from planning permits.

CEDA staff report that numerous large projects are in various stages of the planning process and that they expect to see significant growth in this category over the next year or two. First quarter actuals were encouraging, since this revenue normally does not track with budget in the first quarter.

Permit Type	FY 2002-03	% of Total	FY 2003-04	% of Total	YTD FY 2004-05	% of Total
Animal Licenses	177,643		197,571		42,533	
Bicycle Licenses	1,005		708		-	
Licenses	178,648	1.4%	198,279	1.4%	42,533	1%
Construction Permits	10,382,028	80.1%	10,949,518	77.5%	2,867,793	82%
Sidewalk/Driveway Permits	103,572		98,731		33,234	
Sewer Permits	289,623		59,866		(200)	
Grading and Excavating Permit	354,309		1,116,167		79,059	
Encroachment Permits	453,414		293,424		89,164	
Obstruction Permits	98,409		54,076		11,675	
Streets & Curbs Permits	1,299,326	10.0%	1,622,264	11.5%	212,932	6%
Police Permits	54,888		81,580		16,972	
Fire Permits	208,719		102,523		9,264	
Fire Clearance Certificate	6,607		6,891		5,262	
Charity Permits	2,850		5,938		320	
Boat Permits	0		-		-	
Residential Parking Permits	49,242		49,121		33,992	
Tree Removal Permits	9,270		17,728		3,610	
Security Alarm Permits	0		-		-	
NPDES Monitoring	2		197		4	
Special Permits	331,578	2.6%	263,978	1.9%	69,424	2%
Planning Permit - Zoning	471,323		584,479		201,021	
Planning Permit - Subdivision	115,649		151,709		48,601	
Planning Permit - Environmental	187,513		363,691		43,895	
Planning Permits	774,485	6.0%	1,099,879	7.8%	293,517	8%
Total	12,966,064	100.0%	14,133,918	100.0%	3,486,199	100.0%

Based on a strong first quarter, and staff's expectations that activity for major projects will continue, our year-end forecast is for \$15.16 million, or \$0.52 million above budget.

Fines & Penalties

Fines & Penalties revenue through the end of the first quarter was \$6.37 million, 31.1 percent higher than first quarter collections in FY 2003-04. The \$6.37 million represents 23.1 percent of the current year's \$27.54 million budget.

Between eighty and eighty-five percent of the Fines & Penalties revenue comes from fines for violating parking regulations, and revenue from these fines are on target through the first quarter. However, slightly less than originally anticipated will be collected through fines paid via pre-arranged payment plans – this item is projected to finish the year \$0.71 million below budget. The net result is that the year-end projection for Fines & Penalties is \$26.84 million, \$0.70 million below budget.

Interest Income

Interest Income through the end of the first quarter was \$0.10 million, 59.5 percent lower than first quarter collections in FY 2003-04. There is no revenue budgeted in this category because all interest income is expected to be offset by negative interest charges representing the 'cost' of

applying for grants that are reimbursement-based (and require that the City upfront its own money).

The level of interest income to the GPF is a product of three factors: the funds available for short-term investment; the level of interest rates; and the cash flow status of the City's non-General Purpose Funds. Many grants are cost-reimbursed, meaning reimbursement from the grantor happens after the City has incurred costs. The GPF covers the initial, grant-related costs, and is later reimbursed, but an interest charge is calculated. For grants that do not allow interest charges, these revert to the GPF as negative interest.

Staff is currently working with departments responsible for managing grant funds to develop a way to have the negative interest be charged back to those departments, as an incentive to get reimbursed as quickly as possible.

After negative interest charges are taken into account, **year-end interest income in the GPF is still projected to net to zero.**

Service Charges

Service Charges through the end of the first quarter were \$7.87 million, which is 22.4 percent lower than first quarter collections in FY 2003-04. This \$7.87 million represents 15.2 percent of the current budget of \$51.72 million. **The year-end projected revenue is \$52.94 million, or \$1.22 million above a budgeted estimate.**

Service Charges contain a variety of revenue types. The table below breaks out the major categories, reflecting the budget, year-to-date actuals and year-end projected collection for each.

SERVICE CHARGE DETAIL	FY 2004-05			
	FY 2004-05 Budget	FY 2004-05 YTD Actuals	FY 2004-05 YE Project.	Projected Surplus (Def.)
Type of Service Charge				
Public Works Fees	4,320,138	1,205,351	5,569,841	1,249,703
Parking Meter Fees	7,870,000	1,916,415	8,035,318	165,318
Personnel Services	3,346,311	364,714	3,346,311	-
Port Revenue	12,407,084	0	12,407,084	-
Miscellaneous	8,973,892	2,330,950	8,973,892	-
Rental Concessions	2,714,141	461,281	2,714,141	-
Prisoner Maintenance Charges	1,383,013	495,332	1,383,013	-
Franchise Taxes	10,705,421	1,100,553	10,515,145	(190,276)
	<u>51,720,000</u>	<u>7,874,596</u>	<u>52,944,746</u>	<u>1,224,746</u>

Public Works fees and permits primarily represent street and sidewalk work done in conjunction with other building activity. Activity is up in general, and a large payment has been received related to the Leona Quarry project. Receipts through the first quarter were \$1.21 million, **and we are projecting year-end revenue at the \$5.56 million level, or \$1.25 million above budget.**

Parking Meter Revenue consists of charges for parking in metered street stalls. This revenue was \$1.92 million through the end of the first quarter, representing 24.4 percent of the current budget of \$7.87 million. Last year's issues related to malfunctioning meters have been addressed, and revenue is on target with budget. A slight surplus is expected due to the lack of a Shop Oakland parking moratorium for the holidays. **Parking meter revenue is projected to end the year at \$8.04 million, \$0.17 million above budget.**

Personnel Services: These are reimbursements to the City for police officers who work at a variety of special events or activities such as A's games, Raider games, concerts, street fairs or festivals, or produce legal documentation in response to subpoenas. There are no set contracts in place, hence the demand for these services is variable and difficult to forecast. Revenue for the first quarter is on target with budget, and **we are projecting year-end revenue to be at the budgeted level of \$3.35 million.**

Port Revenue consists of payment for Police, Fire, and other services the City provides to the Port. The City invoices quarterly, based on budgeted costs of service, with a year-end clean-up invoice reflecting the actual costs. Assuming the Port pays all budgeted amounts, we are **projecting Port revenue of \$12.41 million, at the budgeted level.**

Miscellaneous Service Charges include parks and recreation fees, a variety of inspection fees, general plan surcharges, and miscellaneous sales. Many of the fees have been increased as part of the annual modifications to the City's Master Fee Schedule.

Year-to-date collections are over budget, but this category is difficult to analyze since it is comprised of a large number of items unrelated to each other, and we are therefore more conservative than normal in forecasting. **We project year-end revenue at the budgeted level of \$8.97 million.**

Rental Concessions: These represent fees for the rental of the City's facilities and lands, as well as concessions at parks and golf courses. Revenue through the first quarter is \$0.46 million. This revenue has a heavy seasonal component and we are **projecting year-end revenue of \$2.71 million, at the budgeted level.**

Prisoner Maintenance Charges: These are reimbursements from both the State and Federal government for housing their prisoners in Oakland jails. There are no set contracts, and demand for the services is variable and difficult to forecast. First quarter revenues were strong but we will conservatively **forecast the year-end revenue to be at the budgeted \$1.38 million.**

Franchise Taxes: This category consists of taxes on four utilities: PG&E for gas and electric; Waste Management of Alameda County for garbage collection; East Bay MUD for water; and Comcast for cable television. **The year-end projection for Franchise Taxes is \$10.52 million, \$0.19 million below budget,** due to a slight shortfall in East Bay MUD franchise fees.

Grants & Subsidies

Grants & Subsidies revenue through the end of the first quarter was \$0.79 million. However, this was the result of a coding error that will be reversed in the second quarter. The \$0.11 million budget includes only one component (the Peace Officers grant). **Year-end Grants & Subsidies revenue is projected at the budget of \$0.11 million.**

Miscellaneous

Miscellaneous revenue through the end of the first quarter was \$1.96 million, which is 28.9 percent lower than first quarter collections in FY 2003-04. The \$1.96 million represents 21.5 percent of the current budget of \$9.11 million.

The primary components of the FY 2004-05 Adopted Budget for Miscellaneous revenues are the following: transfers from the Multipurpose Reserve Fund and the Mandatory Garbage Fund, a repayment from the Oakland Base Reuse Authority, and a loan repayment from ORA

It is expected that all budgeted items will be realized, and the **year-end Miscellaneous revenue is projected to be at budget of \$9.11 million.**

Fund Transfers

Fund transfers through the end of the first quarter were \$1.73 million, 25.0 percent of the current budget of \$6.90 million. The Fund Transfers revenue category this fiscal year includes only two components:

- o a \$0.60 million transfer from the Sewer Service Fund (a continued repayment for space costs)
- o a \$6.30 million transfer from the Municipal Improvement Capital Fund (a continued partial reimbursement for Museum's and Kaiser Center's debt service, paid out of the General Purpose Fund)

Both fund transfers are made according to a pre-set monthly schedule. **The year-end Transfers amount is projected at the budget of \$6.90 million.**

Carryforwards

At the end of each fiscal year, the City has unspent appropriations that can potentially be carried forward into the next fiscal year. These exist either in projects or as non-project encumbrances. **For the General Purpose Fund in FY 2004-05, \$10.34 million in projects and encumbrances were carried forward from FY 2003-04.** On the expenditure side, this amount represents an increase from the Adopted to the Adjusted Budget. On the revenue side, it is reflected in the "Carryforwards" category and represents dollars reserved in the fund balance to pay for the project activities (or encumbered items) not spent in the last year.

Since carryforwards are reserved for particular projects or items, they are normally considered spent by year-end on the expenditure side, and fully 'realized' on the revenue side, unless projects are delayed or not fully expended. For FY 2004-05, \$1.17 million of the project carryforward balance is projected to be unspent by year-end, and carried forward to the next year.

EXPENDITURE HIGHLIGHTS

As outlined in *Attachment A-2*, the General Purpose Fund (GPF) expenditures through the end of September 2004 are \$105.30 million, or 25.4 percent of the FY 2004-05 Adjusted Budget. **GPF total expenditures are expected to reach \$425.38 million by year-end, or \$11.08 million over budget.**

The year-end projected spending takes into account savings from the Local 790 layoffs implemented in late August, as well as the additional 3.0 percent employee contribution towards retirement from all other civilian employees. Collectively, these measures will generate approximately \$2.5 million in GPF savings by year-end.

Attachment A-2 also summarizes agency / department-level spending to date and projected through year-end. *Attachment F* provides the breakdown of overtime spending through September 2004 and projected year-end results, for the General Purpose Fund and All Funds.

Provided below is a discussion of only those agencies / departments that are projected to overspend in the GPF at year-end. **Agencies / departments that are not discussed are projected to end the year within budget, or with savings.**

Police Services

The Police Services Agency has spent \$43.56 million through September 24, 2004, or 27.7 percent of the \$157.36 million Adjusted Budget.

Personnel Services accounted for 93.7 percent of the total quarterly spending. **Personnel spending is expected to be over budget, due to overspending in salaries, associated benefit costs, and overtime.**

Overtime

Overtime spending through September, within the General Purpose Fund, was \$4.88 million, reflecting 43.4 percent of the \$11.23 million annual overtime budget (see Attachment F). **If current trends continue, total overtime for the year is projected at \$18.35 million, or \$7.12 million over budget.**

- \$2.33 million of the \$7.1 million projected overage is due to *holiday, court, and MOU-related overtime costs*. The remaining \$4.77 million overage is largely due to *backfill and shift extension overtime*.
- The year-end overtime spending projection adjusts for sideshow enforcement activities that were unusually high in the first quarter, and are not anticipated to continue at this level through year-end.
- A significant increase in actual overtime has been recorded from the last fiscal year. Overall, the actual first quarter overtime spending increased 53 percent from last year. In certain categories, the year-to-year increase has been much higher (for example, 'regular' civilian overtime increased 91 percent while 'regular' sworn overtime went up 70 percent).
- The year-to-year increase in actual overtime spending is leading to a nearly 50 percent increase in the year-end projected overtime from the last year actual of \$12.4 million.

Vacancies

While the Police Services Agency had 48 vacancies in the General Purpose Fund as of October 2004 (including 16 sworn and 32 civilian), only 35 positions (10 sworn and 25 civilian) were truly vacant, due to 13 'linked' employees who were drawing salaries from the positions presumed vacant. (This normally happens with part-time and/or temporary staff).

Adjustments to Spending

In addition to the above vacancies, attrition savings of 3.0 sworn members per month has been factored into year-end projections, based on historical trends and known retirements. Civilian personnel spending has been adjusted downward by \$0.96 million to account for the six Local 790 employees laid-off at the end of August and the 17.9 FTE that are currently vacant and planned to remain unfilled through the end of the fiscal year. In addition, the year-end projected spending has been adjusted to account for transfers of actuals to grants and the ORA, based on authorized funding. An adjustment for a spike in overtime-funded sideshow activities has also been made, as indicated above.

Operations & Maintenance spending in the first quarter accounted for 6.3 percent of the total spending. Based on historical experience and the need to mitigate overspending in personnel services, it is estimated that the Agency will have \$0.2 million in O&M savings by year-end.

Given its spending to date, continuation of current trends, and the above adjustments, **the Police Services Agency is projected to overspend its FY 2004-05 Adjusted General Fund Budget by \$12.8 million (8.14 percent) through year-end.** (This compares with overspending in FY 2003-04 of \$10.9 million).

Cultural Arts & Marketing

Overall, Cultural Art & Marketing Department (CAM) has spent \$2.18 million or 30.0 percent of its \$7.27 million Adjusted Budget through the end of September 2004. Given its spending to date and accounting for anticipated changes in future spending patterns, **CAM is projected to over-spend its FY 2004-05 Adjusted Budget by \$0.44 million (or 6.04 percent) by year-end.** The specifics are discussed below.

Museum

The Oakland Museum of California (the Museum) has spent \$1.82 million or 31.7 percent of its \$5.74 million Adjusted Budget through the end of September 2004.

Personnel Services accounted for 67.6 percent of the total spending. Through the first quarter, the Museum (excluding the Malonga Casquelourd Center of the Arts) has spent 27.7 percent of the personnel services budget. While spending on *overtime* accounted for approximately 0.8 percent of the personnel services budget, the Museum did not budget for overtime spending. Additionally, the Museum (excluding the Malonga Casquelourd Center) has consumed twice the amount authorized for *Temporary* personnel. If overall Personnel Services' spending continues at the same rate, the Museum would exceed its budgeted appropriation. Also contributing to the estimated over-spending on Personnel Services are lower than anticipated vacancies at the Museum.

Of particular concern is spending on personnel services for the Malonga Casquelourd Center: Through the first quarter, Personnel Services spending stood at 34.0 percent. If spending continues at the same rate, the center would exceed the \$0.54 million budget by \$0.12 million, mainly due to over-staffing. The Midcycle Amended Budget authorized 9.53 FTEs; however, on average, the center has 11 FTEs.

The Museum's staff will develop cost reductions by reducing part-time personnel expenditures at the museum and the Malonga Casquelourd Center, and by thorough review and control of all discretionary spending.

Operations & Maintenance accounted for 32.4 percent of the total spending. The Museum has spent approximately 35.3 percent of the overall O&M budget through the first quarter. The majority of the O&M budget is anticipated to be spent on facility support and land & building rentals. However, any under-spending in O&M will go towards offsetting any estimated over-spending in Personnel Services.

Given its spending to date and accounting for anticipated changes in future spending patterns, *the Museum is projected to over-spend its FY 2004-05 Adjusted Budget by \$0.55 million (or 9.59 percent) by year-end.*

The Public Art and Cultural Funding Programs

The Public Art and Cultural Funding programs have spent \$0.18 million or 21.8 percent of their \$0.82 million Adjusted Budget through the end of September 2004.

Personnel Services accounted for 69.3 percent of the total spending. Through the first quarter, the Programs have spent 27.0 percent of the personnel services budget. The Programs are expected to exceed their Personnel Services' appropriations.

Operations & Maintenance accounted for 30.7 percent of the total spending. The Programs have spent approximately 11.1 percent of the overall O&M budget through the first quarter. The majority of the O&M budget is anticipated to be spent on grants to public art and cultural activities. Estimated under-spending in Operating and Maintenance is expected to offset any anticipated over-spending on Personnel Services.

Given its spending to date and accounting for anticipated changes in future spending patterns, *the Public Art and Cultural Funding programs are projected to under-spend their FY 2004-05 Adjusted Budget by \$0.09 million (10.89 percent) by year-end.*

Marketing and Special Events

The Marketing and Special Events programs have spent \$0.18 million or 25.7 percent of their \$0.71 million Adjusted Budget through the end of September 2004.

Personnel Services accounted for 49.4 percent of the total spending. Through the first quarter, the Programs have spent 23.5 percent of the personnel services budget. The Programs are not expected to exceed their appropriations.

Operations & Maintenance accounted for 50.6 percent of the total spending. The Programs have spent approximately 26.0 percent of the overall O&M budget through the first quarter. The majority of the O&M budget is anticipated to be spent on City advertisements, promotions and website maintenance.

Given its spending to date and accounting for anticipated changes in future spending patterns, *the Marketing and Special Events programs are projected to under-spend their FY 2004-05 Adjusted Budget by \$0.02 million (3.03 percent) by year-end.*

Parks & Recreation

The Office of Parks & Recreation (OPR) has spent \$3.75 million or 30.7 percent of its \$12.22 million Adjusted Budget through the end of September 2004. At this rate of spending, **the Department is expected to overspend its adopted General Purpose Fund budget by approximately \$0.57 million, or 4.6 percent.**

Personnel Services accounted for 79.2 percent of total first-quarter spending. Parks & Recreation expended 37.6 percent of its total annual personnel budget in the first quarter of the fiscal year.

Temporary / Part-Time personnel costs are a prime driver of the department's overspending. First-quarter personnel spending for Temporary / Part-time staff was 53.7 percent of the total Temporary / Part-Time budget. OPR typically hires a large number of temporary staff during the summer months when recreation programs for youth are activated; however, this level of spending drops dramatically during the winter months. The department's over-spending is also impacted by not maintaining sufficient vacancies, and higher-than-anticipated spending on salaries. A total of 1.54 full-time equivalent (FTE) OPR staff were laid off through the Local 790 agreement, resulting in projected year-end savings of \$79,000 .

Parks & Recreation has expended \$17,152 in General Purpose Fund overtime and \$18,275 in overtime across all funds through the end of the first quarter (see Attachment F). Overtime is projected to be approximately \$30,000 in the General Purpose Fund by year-end and \$35,000 at the All Funds level by year-end, although the department's budget does not include any overtime funding. Overtime was incurred primarily by staffing for the Sea Odyssey excursions, which runs after hours during the summertime. Small amounts of overtime costs are incurred in several other recreation divisions where similar after-hours work is required.

Operations & Maintenance accounted for 21.7 percent of OPR's total spending in the first quarter. Park & Recreation has thus far spent 21.5 percent of its O&M budget, which is expected to be 92 percent expended by fiscal year-end.

B. TELECOMMUNICATIONS FUND**FUND HISTORY AND PURPOSE**

The City charges franchise fees for four main utility services: cable TV, gas and electric, garbage collection and sewers. The cable TV franchise fee revenue received by the City is split between the General Purpose Fund and the Telecommunications Fund. Revenue from the Telecommunications Fund is spent primarily on City's telecommunication activities: over 84 percent of revenues in the past five years have gone to KT OP.

REVENUE BACKGROUND

Oakland's cable television franchise was awarded to Lenfest West Inc. in 1983, and transferred to TeleCommunications, Inc. (TCI) in 1996, and then to AT&T Broadband in 1999. AT&T Broadband was subsequently purchased by Comcast.

Revenue into the Telecommunications Fund comes from quarterly payments by Comcast under terms spelled out in a contract with the City. Payments are based on the gross receipts Comcast derives from the franchise agreement. The Telecommunications Fund receives 40 percent of the cable television fees; the other 60 percent goes to the General Purpose Fund.

REVENUE HIGHLIGHTS

(Please refer to Attachment B-1 for the summary of the Telecommunications Fund revenues.)

Interest Income

The Telecommunications Fund is projected to accrue approximately \$30,000 in negative interest by year-end, due to an existing negative balance in this fund. This projection is in line with last year's actual accrual.

Service Charges (Franchise Fees)

The full first-quarter franchise revenue from Comcast has not been recorded yet. Given the limited revenue activity to date, year-end revenue is projected to be at budget of \$0.93 million by year-end.

EXPENDITURE HIGHLIGHTS

(Please refer to Attachment B-2 for the summary of the Telecommunications Fund expenditures.)

The FY 2004-05 budget contains appropriations for three departments within the Telecommunications Fund: Cultural Arts and Marketing (KTOP), Oakland Public Library and Non-Departmental. The total appropriation is \$1.19 million of which \$1.09 million is dedicated to KTOP, the City of Oakland's public television station, \$0.05 million is allocated to the Public Library, and another \$0.05 million to Non-Departmental (for payments related to the Cable Franchise Contract). Through the first quarter of FY 2004-05, approximately \$0.26 million, or 22.0 percent, has been obligated or spent. Year-End spending is projected to be \$0.07 million (or 6.15 percent) under budget, due to salary savings in KTOP.

C. CONTRACT COMPLIANCE FUND**FUND HISTORY AND PURPOSE**

The Contract Compliance Fund was established in FY 1993-94. At that time, contract and compliance functions were located in Public Works. The growth of the program has since led to the creation of the Contract Compliance Division within the City Manager's Office (now the City Administrator's Office). The Division monitors and enforces City policies that ensure local businesses and residents participate in City contracting, procurement and employment opportunities. It also monitors and enforces equity-related policies such as the Living Wage and Equal Benefits.

Contract compliance activities are currently funded via a 3.0 percent assessment against all City contracts over \$25,000, with certain exceptions authorized by the City Council. Since there is a distinct revenue stream, and expenditures are made for distinct purposes, a separate fund was created.

The assessment rate, which has varied between 3.0 and 3.5 percent over the years, has never generated enough revenue to cover contract compliance expenditures, so that a deficit fund balance has been accumulating since the program's inception. In an attempt to address the deficit, the Contract Compliance Division staff have been reduced from 15 FTEs in FY 2001-02 to 10 FTEs in FY 2003-04.

REVENUE HIGHLIGHTS

(Please refer to Attachment C-1 for the summary of the Contract Compliance Fund revenues.)

Interest Income

The Contract Compliance Fund is projected to accrue approximately \$0.1 million in negative interest by year-end, due to an existing negative balance in this fund. This projection is in line with last year's actual accrual.

Service Charges (Assessments)

The full first-quarter revenue from the 3.0 percent contract assessments was \$0.15 million, or 18.0 percent of the budget. Based on staff's estimated future assessments, this revenue is projected to be at budget of \$0.84 million by year-end.

EXPENDITURE HIGHLIGHTS

(Please refer to Attachment C-2 for the summary of the Contract Compliance Fund expenditures.)

The FY 2004-05 budget contains appropriations for two departments within the Contract Compliance Fund: City Administrator's Office (Contract Compliance and Employment Services) and the City Attorney's Office. The total appropriation is \$1.20 million of which \$0.97 million is dedicated to Contract Compliance & Employment Services and \$0.23 million is dedicated to the Attorney's Office. Through the first quarter of FY 2004-05, approximately \$0.31 million, or 25.5 percent, has been obligated or spent. Year-End spending is projected to be at budget of \$1.20 million.

D. EQUIPMENT FUND

FUND HISTORY AND PURPOSE

The Equipment Fund is an Internal Service Fund (ISF). An ISF accounts for services provided by a unit within an organization to other users within the same organization. The intent is that the fund's revenues, in the form of charges to users, will be just enough to cover the costs of providing the services.

The Equipment Fund supports the maintenance and replacement of the City's motorized vehicles. The activities involved include determining fleet requirements; performing preventive maintenance and repairs; providing fuel; and disposing of surplus vehicles. Services are provided by the Equipment Services Division within Public Works.

REVENUE BACKGROUND

As described above, annual departmental payments to the Equipment Fund should be at a level sufficient to cover the Fund's annual costs. However, in the last five fiscal years, the division's spending has exceeded actual revenues by substantial amounts. These ongoing operating deficits arise from the fact that revenues collected from user departments do not fully cover the actual costs of providing the service.

In FY 2004-05, the Fund's budget includes \$15.95 million in new appropriations and only \$12.16 million in budgeted revenue, meaning that its operating deficit is approximately \$3.79 million. During FY 2003-05 budget deliberations, 17 FTE were eliminated, representing \$1.4 million.¹ Absent these reductions, the structural operating deficit would be even greater.

REVENUE HIGHLIGHTS

(Please refer to Attachment D-1 for the summary of the Equipment Fund revenues.)

Fines & Penalties, Interest, Internal Service and Miscellaneous Revenues

Equipment Fund revenue (excluding carryforwards) through the first quarter was \$2.99 million, representing 24.6 percent of the FY 04-05 budget. By year-end, lower-than-expected miscellaneous revenue will be partially offset by higher-than-projected internal service receipts and slight interest income, resulting in an overall under-collection of \$0.04 million (compared to the budget of \$12.16 million).

Carryforwards

At the end of each fiscal year, the City has many unspent appropriations that can potentially be carried forward into the next fiscal year. These exist either in projects or as non-project encumbrances. In FY 2004-05, \$11.48 million in project appropriations and \$0.19 million in non-project encumbrances were carried forward from FY 2003-04 in the Equipment Fund. This amount has been added to the Adjusted Budget on both the revenue and expenditure sides. Some of the project carryforwards will not be spent in FY 2004-05 and, therefore, there will be an equal amount

¹ It should be noted, however, that four out of the 17 deleted positions were subsequently added back and funded through reductions in operations and maintenance.

of carryforward "under-realization" this year. Carryforward under-spending is one of the primary reasons that fund expenditures appear to be substantially below budget (see below).

EXPENDITURE HIGHLIGHTS

(Please refer to Attachment D-2 for the summary of the Equipment Fund expenditures.)

The **Public Works Agency** has spent \$2.57 million or 16.0 percent of its \$16.14 million Adjusted Budget in the Equipment Fund through the end of September 2004 (not including CIP projects). The vast majority of these expenditures are related to the Equipment Services Division. Year-end spending is anticipated to exceed budget by approximately \$100,000 or 0.61 percent.

The Equipment Services Division has spent \$2.51 million or 15.6 percent of its \$16.07 million Adjusted Budget through the end of September 2004.

Personnel Services spending was \$1.42 million, or 25.7 percent of the annual personnel budget, and accounted for 55.2 percent of total spending. Four FTE in the Equipment Services Division were laid off through the Local 790 negotiations. This will reduce total spending by approximately \$300,000 by year-end. Overtime spending was above budget at \$21,226, and this rate of spending is not expected to increase. Overall, personnel-related spending is expected to be under budget by approximately \$0.14 million by fiscal year end.

Operations & Maintenance through the end of the first quarter was \$1.15 million, or 10.8 percent of the adopted O&M budget. However, O&M spending will be much higher in the second half of the year, due to extraordinarily high gasoline prices, as well as by the anticipated, but unrealized reduction in the number of vehicles in the fleet. For this reason, Year-end Operation and Maintenance expenditures are estimated to be above budget by approximately \$0.24 million. To the degree possible, the department is attempting to reduce spending in other accounts to make up for cost over-runs.

Capital Improvement Program spending to-date in the Equipment Fund has been only 0.3 percent of the total adjusted budget for many reasons, but primarily because the department's CIP budget includes the unexpended amount of the vehicle bonds, which will only be partially spent in this fiscal year. By year end, approximately \$2.84 million of the Equipment Fund CIP budget is anticipated to be spent.

To-date, only \$40,000 has been spent on major Capital Improvement Projects, and an additional \$2.8 million is anticipated to be spent by year-end. This is well below the \$11.48 million Adjusted CIP budget within this fund. Projects expected to be undertaken during the 2004-05 fiscal year include:

- The implementation of the Computerized Fleet Management System
- The purchase of Battery Chargers for electric vehicles.
- Improvements to the Fuel Pumps

Total year-end spending in the Equipment Fund will be \$19.08 million, or 69.1 percent of the total adjusted budget.

E. FACILITIES FUND

FUND HISTORY AND PURPOSE

The Facilities Fund is an Internal Services Fund (ISF). An ISF accounts for services provided by a unit within an organization to other users within the same organization. The intent is that the fund's revenues, in the form of charges to users, will be just enough to cover the costs of providing the services.

The Facilities Fund accounts for maintenance of all City facilities which house programming and administrative staff, including the Police Administration Building, fire stations, Civic Center Complex, and various other City offices and facilities. The fund also provides maintenance to all park facilities, including tot-lots and swimming pools. Services include janitorial, security, building design, and building retrofits to comply with applicable regulations. The services are provided by Public Works. The fund does not support the custodial services of park and recreational facilities, senior centers, Head Start centers and libraries.

REVENUE BACKGROUND

Over the past several years, the Facilities Fund, similar to the Equipment Fund (and for the same reasons), has had budgeted appropriations greater than budgeted revenues, and actual expenditures greater than actual revenues. For FY 2004-05, budgeted new revenue is \$15.97 million, while budgeted expenditures are \$18.80 million, creating an operating deficit.

To address the structural deficit, during FY 2003-05 budget deliberations, 20 FTE totaling approximately \$1.5 million were reduced within this fund. If these reductions were not taken, the ongoing structural deficit would be even greater. The year-end projected operating shortfall in this fund is lower than the level assumed in the budget, for reasons that are explained below.

REVENUE HIGHLIGHTS

(Please refer to Attachment E-1 for the summary of the Facilities Fund revenues.)

Interest, Service Charges and Internal Service Revenues

The Internal Service (work order) revenue through the first quarter was \$3.88 million, on target with budget. Additional service charges and negative interest totaled \$0.07 million to-date. While the work order revenue and service charges are projected to end the year exactly at budget, there will be negative interest charges of \$0.22 million, due to a negative balance in the Facilities fund. As a result, the overall year-end revenue (excluding carryforwards) is projected to be \$15.75 million, against a \$15.97 million budget.

Carryforward Revenue

At the end of each fiscal year, the City has unspent appropriations that can potentially be carried forward into the next fiscal year. These exist either in projects or as non-project encumbrances. In FY 2004-05, \$0.29 million in project appropriations and non-project encumbrances were carried forward from FY 2003-04 in the Facilities Fund. This \$0.29 million has been added to the Adjusted Budget on both the revenue and expenditure side.

EXPENDITURE HIGHLIGHTS

(Please refer to Attachment E-2 for the summary of the Facilities Fund expenditures.)

The **Public Works Agency** has spent \$3.05 million or 16.2 percent of its \$18.84 million Adjusted Fund 4400 Budget through the end of September 2004. Over 94 percent of these expenditures were related to the Department of Facilities & Environment, in the Facilities Services and Park & Building Maintenance Divisions.

There have been no expenditures to-date in the Facilities Fund's **Capital Improvement Program**. Spending on capital projects will account for approximately \$0.25 million of total year-end Facilities Fund spending.

- The Facilities and Environment Division has spent \$2.76 million or 15.2 percent of its \$18.22 million Adjusted Budget through the end of September 2004.

Personnel Services spending was at 21.5 percent of budget, and accounted for 72.3 percent of the total spending. Personnel spending to-date is lower than anticipated due to vacancies which are anticipated to be filled by December. Personnel spending will be below budget by year-end. Four FTE from the Facilities Fund were laid off as a result of negotiations with Local 790. These layoffs will generate a reduction in salary spending of \$0.30 million by year-end. Overtime spending is at \$25,415 or 35.2 percent of budgeted overtime.

Operations & Maintenance accounted for 27.7 percent of the total first quarter spending. The Division may exceed its budgeted appropriations in Water, and in Maintenance & Security. However, these shortfalls can be covered by savings in other O&M accounts.

- The Facilities Fund has only one **Capital Improvement Project** budgeted, a project to replace the HVAC System in Edgewater-Building 2. This project will be completed by year-end.

Spending in the Facilities Fund is typically higher in the second half of the year, due to the fact that invoices tend to be received at the end of the year. Given spending to date and accounting for anticipated changes in future spending patterns, **the Facilities Fund's FY 2003-04 Adjusted Budget is projected to be underspent by \$1.25 million (6.54 percent) by year-end**, due to savings in personnel costs from vacancies and underspending of the O&M budget.

F. OVERTIME SPENDING

MAJOR OBSERVATIONS

Attachment F provides details on the overtime spending through September 2004, as well as year-end projected results, by agency / department, for the General Purpose Fund and all funds.

Overtime overspending by the end of FY 2004-05 (at the all funds level) is projected for many departments: minor for some, significant for others. However, most departments will manage to balance their overtime overspending with savings in other categories (primarily in salary savings from vacancies), therefore staying within their overall budget appropriations. **In Police, CAM and OPR, on the other hand, overtime overspending will add to the overall budget overspending by the end of this fiscal year**, as discussed earlier in this report.

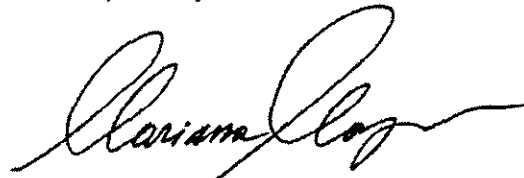
CONCLUSION / RECOMMENDATION

While the year-end projected revenues and expenditures for all five presented funds are in line with budgeted estimates (and the General Purpose Fund in particular is shown as balanced by year-end), *variances from the budgeted amounts are forecast for both GPF expenditures and revenues*. Specifically, \$11.08 million overspending is projected for the GPF by year-end (mainly due to OPD's cost overruns; see *Attachment A-2* for details) – which will be offset by \$11.11 million revenue over-collection (mainly due to a continued strength in the Real Estate Transfer Tax receipts; see *Attachment A-1* for details).

Resolution # 78615 approved by the City Council on June 15, 2004 (see *Attachment G* for a copy), requires that "the City Administrator seek City Council direction if the Budget Office's quarterly reports for the General Purpose Fund project overspending (from the current Adjusted Budget) by year-end in any agency / department of the City, even though such overspending may be covered by savings or additional revenues outside of the agency / department", and allows the City Council to "direct the City Administrator to reduce the rate of spending in particular City agencies / departments to minimize or avoid year-end overspending", by "request[ing] specific cost-cutting measures or leav[ing] it to the City Administrator's discretion."

Since the GPF overspending is projected by year-end (although fully covered by the additional revenues), staff is seeking the City Council direction on any actions required by the overspending departments.

Respectfully submitted,



Marianna A. Marysheva
Budget Director

APPROVED FOR FORWARDING TO THE
FINANCE AND MANAGEMENT COMMITTEE



OFFICE OF THE CITY ADMINISTRATOR

- Attachments:**
- A-1: *General Purpose Fund Revenues*
 - A-2: *General Purpose Fund Expenditures*
 - B-1: *Telecommunications Fund Revenues*
 - B-2: *Telecommunications Fund Expenditures*
 - C-1: *Contract Compliance Fund Revenues*
 - C-2: *Contract Compliance Fund Expenditures*
 - D-1: *Equipment Fund Revenues*
 - D-2: *Equipment Fund Expenditures*
 - E-1: *Facilities Fund Revenues*
 - E-2: *Facilities Fund Expenditures*
 - F: *Overtime Spending (General Purpose Fund and All Funds)*
 - G: *Resolution Mandating Council Input on Projected Overspending*

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
GENERAL PURPOSE FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q1 to Q1
PROPERTY TAX	\$71.64	\$6.50	9.1%	\$70.08	\$68.54	\$89.82	\$1.59	1.8%	\$90.43	\$0.61	see VLF comment below.	-75.5%
SALES TAX	37.01	9.50	25.7%	40.49	41.41	41.41	7.19	17.4%	41.78	0.37	Stronger than projected growth mainly fueled by sales tax from United fuel (ends in FY 04-05)	-24.4%
VEHICLE LICENSE FEE (VLF) - TAX & BACKFILL	16.18	3.24	20.0%	18.18	24.33	3.05	1.03	33.6%	2.44	(0.61)	\$1 million swap between VLF and Property Taxes	-68.4%
BUSINESS LICENSE TAX	42.84	1.23	2.9%	44.28	44.66	44.66	1.39	3.1%	44.66	0.00		13.3%
UTILITY CONSUMPTION TAX	53.55	9.64	18.0%	48.41	48.61	48.61	12.70	26.1%	48.67	0.06		31.7%
REAL ESTATE TRANSFER TAX	38.00	13.15	34.6%	56.63	47.01	47.01	20.75	44.1%	59.00	11.99	Real estate boom continues.	57.8%
TRANSIENT OCCUPANCY TAX	10.26	2.58	25.1%	10.76	9.93	9.93	2.38	24.0%	9.28	(0.65)	Hotel industry still not recovering.	-7.6%
PARKING TAX	7.94	2.22	28.0%	8.66	9.52	9.52	2.10	22.1%	9.00	(0.52)	Downward trend in previous 12 months.	-5.4%
LICENSES & PERMITS	13.90	3.25	23.4%	14.13	14.65	14.65	3.49	23.8%	15.16	0.52	Construction activity is strong.	7.3%
FINES & PENALTIES	26.24	4.86	18.5%	26.06	27.54	27.54	6.37	23.1%	26.84	(0.70)	Shortfall in payment plan collections.	31.1%
INTEREST INCOME	1.90	0.25	13.2%	1.88	0.00	0.00	0.10	N/A	0.00	0.00		-59.5%
SERVICE CHARGES	54.47	10.15	18.6%	40.46	51.72	51.72	7.87	15.2%	52.94	1.22	Public Works fees surging.	-22.4%
GRANTS & SUBSIDIES	0.11	0.01	9.1%	0.23	0.11	0.11	0.79	717.4%	0.11	(0.00)		7791.3%
MISCELLANEOUS	6.77	2.75	40.6%	6.86	9.11	9.11	1.96	21.5%	9.11	0.00		-28.9%
FUND TRANSFERS	6.30	1.58	25.1%	10.56	6.90	6.90	1.73	25.0%	6.90	0.00		9.2%
SUBTOTAL	\$387.11	\$70.91	18.3%	\$397.68	\$404.04	\$404.03	\$71.43	17.7%	\$416.32	\$12.29		0.7%
CARRYFORWARDS	10.54	10.54	100.0%	10.86	0.00	10.34	9.17	88.6%	9.17	(1.17)	Unspent carryforwards (CIP, CEDA)	-13.0%
TOTAL	\$397.65	\$81.45	20.5%	\$408.54	\$404.04	\$414.37	\$80.60	19.5%	\$425.49	\$11.11		-1.0%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
GENERAL PURPOSE FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actual Spending	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr. Growth Q1 to Q1
MAYOR	\$1.62	\$0.38	23.4%	\$1.72	\$1.69	\$1.69	0.57	33.6%	1.65	\$0.0	2.24%		49.0%
CITY COUNCIL	\$2.22	\$0.71	32.2%	2.30	2.46	2.43	0.72	29.5%	2.44	(0.00)	-0.20%		0.7%
CITY ADMINISTRATOR													
Administration	1.52	0.39	25.4%	1.60	1.82	1.88	0.38	20.0%	1.78	0.09	4.63%	Estimated under-spending of O&M	-2.9%
Citywide Support	3.84	0.95	24.6%	3.44	3.84	3.85	0.87	22.6%	3.75	0.10	2.63%	Estimated under-spending of O&M	-8.0%
Subtotal CAO	5.36	1.33	24.9%	5.04	5.66	5.73	1.25	21.7%	5.54	0.19	3.29%		-6.5%
CITY CLERK	2.28	0.41	17.9%	1.94	2.09	2.18	0.33	15.2%	2.06	0.12	5.43%	Estimated under-spending of Salaries due to vacancies	-19.1%
CITY ATTORNEY	7.31	1.71	23.4%	7.27	7.25	7.31	1.71	23.4%	7.31	0.00	0.03%		0.0%
CITY AUDITOR	0.98	0.27	27.3%	0.95	1.01	1.02	0.27	26.1%	1.02	0.00	0.37%	Estimated under-spending of O&M	-0.5%
FINANCE & MANAGEMENT (FMA)	28.34	6.35	0.22	27.15	28.25	28.97	6.87	23.7%	28.91	0.05	0.18%	Estimated under-spending of O&M	8.1%
POLICE SERVICES	149.29	37.79	25.3%	160.26	156.46	157.36	43.56	27.7%	170.16	(12.80)	-8.14%	Overspending in salaries, retirement and overtime	15.3%
FIRE SERVICES	87.54	21.13	24.1%	87.53	89.63	90.09	22.89	25.4%	90.09	0.00	0.00%		8.3%
CULTURAL ARTS & MARKETING (CAM)													
Museum	5.73	1.58	27.6%	5.91	5.77	5.74	1.82	31.7%	6.29	(0.55)	-9.59%	Estimated over-spending of Salaries due in part to Part-time employees	15.3%
Public Art & Cultural Funding	0.83	0.23	28.0%	0.87	0.68	0.82	0.18	21.8%	0.73	0.09	10.89%	Estimated under-spending of O&M	-23.0%
Marketing & Special Events	0.66	0.16	24.8%	0.57	0.65	0.71	0.18	25.7%	0.89	0.02	3.03%	Estimated under-spending of O&M	11.1%
Subtotal CAM	7.22	1.98	27.4%	7.35	7.06	7.27	2.18	30.0%	7.71	(0.44)	-6.04%		10.4%
LIBRARY SERVICES	10.61	2.39	22.5%	10.67	10.51	10.87	2.81	26.3%	10.67	0.00	0.00%		17.7%
PARKS & RECREATION	12.50	3.30	26.4%	12.06	11.28	12.22	3.75	30.7%	12.78	(0.57)	-4.63%	Overspending in PT Personnel not offset by 8% underspending of O&M	13.5%
HUMAN SERVICES	7.07	0.89	12.6%	6.60	6.30	8.16	1.99	24.4%	8.16	0.00	0.01%		123.6%
COMM & ECON DEVELOPMENT	22.12	4.51	20.4%	19.15	20.62	22.31	5.33	23.9%	22.05	0.26	1.18%	Minor savings from 790 layoffs (one position). CF of O&M projected to be \$0.5 million at year end. PS projected to be over-expended (\$15.05 million, as compared to appropriation of \$14.8 M) due in part to overtime, but offset by savings in O&M.	18.4%
PUBLIC WORKS	0.12	0.16	132.7%	0.46	0.92	1.11	0.52	47.2%	0.92	0.19	17.05%	PT and other Personnel overspending in Q1. PWA will reduce Temporary and PT staff to get down to budget.	228.1%
NON-DEPARTMENTAL	51.00	6.85	13.4%	46.07	52.75	54.96	10.48	19.1%	53.78	1.20	2.18%	Savings mainly associated with PSL remarketing for Raiders; will carry	53.1%
SUBTOTAL	423.93	96.50	22.8%	423.68	403.94	413.49	105.22	25.4%	425.25	(11.76)	-2.84%		9.0%
CAPITAL IMPROVEMENT PROGRAM	1.43	0.84	3.1%	0.50	0.02	0.81	0.07	9.3%	0.14	0.67	83.30%	Major appropriation is Permit and Code Enforcement Tracking System (CEDA) and is not projected to be expended in FY 2004-05	72.4%
TOTAL	425.35	96.54	22.7%	424.18	403.96	414.30	105.30	25.4%	425.38	(11.08)	-2.67%		9.1%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
TELECOMMUNICATIONS FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q1 to Q1
INTEREST INCOME	0.00	(0.01)	N/A	(0.03)	0.00	0.00	0.00	N/A	(0.03)	(0.03)		-100.0%
SERVICE CHARGES	0.85	0.00	0.5%	0.97	0.93	0.93	0.01	1.1%	0.93	0.00	Revenues are anticipated at Budget; usually collected in 3rd and 4th Qtr.	152.9%
TOTAL	\$0.85	(\$0.00)	-0.3%	\$0.94	\$0.93	\$0.93	\$0.01	1.1%	\$0.90	(\$0.03)		-509.2%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
TELECOMMUNICATIONS FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actual Spending	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr Growth Q1 to Q1
CULTURAL ARTS & MARKETING													
Marketing & Special Events	1.06	0.24	22.5%	1.01	1.09	1.09	0.24	22.3%	1.01	0.08	7.00%	Under-spending of Salaries	1.2%
Subtotal CAM	1.06	0.24	22.5%	1.01	1.09	1.09	0.24	22.3%	1.01	0.08	7.00%		1.2%
LIBRARY SERVICES	0.05	0.01	21.2%	0.05	0.05	0.05	0.01	22.0%	0.05	(0.00)	-6.67%		8.5%
SUBTOTAL	1.11	0.25	22.4%	1.06	1.14	1.14	0.25	22.2%	1.06	0.07	6.42%		1.5%
NON-DEPARTMENTAL	0.00	0.00	0.0%	0.00	0.05	0.05	0.01	17.5%	0.05	0.00	0.00%		N/A
TOTAL	1.11	0.25	22.4%	1.06	1.19	1.19	0.26	22.0%	1.11	0.07	6.15%		5.0%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
CONTRACT COMPLIANCE FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q1 to Q1
INTEREST INCOME	0.00	(0.02)	N/A	(0.10)	0.00	0.00	0.00	N/A	(0.10)	(0.10)		-100.0%
SERVICE CHARGES	0.60	0.82	137.4%	0.98	0.84	0.84	0.15	18.0%	0.84	0.00	Revenues are anticipated at Budget; usually collected 1st and 4th Qtr.	-81.6%
TOTAL	\$0.60	\$0.80	133.6%	\$0.88	\$0.84	\$0.84	\$0.15	18.0%	\$0.74	(\$0.10)		-81.0%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
CONTRACT COMPLIANCE FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actual Spending	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$(Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr Growth Q1 to Q1
CITY ADMINISTRATOR													
Citywide Support	0.93	0.19	21.0%	0.85	0.97	0.97	0.25	25.3%	0.98	(0.00)	-0.30%		26.9%
Subtotal CAO	0.93	0.19	21.0%	0.85	0.97	0.97	0.25	25.3%	0.98	(0.00)	-0.30%		26.9%
CITY ATTORNEY	0.21	0.06	28.1%	0.21	0.23	0.23	0.06	26.1%	0.23	0.00	0.00%		0.2%
TOTAL	1.14	0.25	22.3%	1.05	1.20	1.20	0.31	25.5%	1.20	(0.00)	-0.25%		20.7%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
EQUIPMENT FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q1 to Q1
FINES & PENALTIES	0.09	0.01	13.6%	0.10	0.09	0.09	0.00	4.1%	0.09	0.00	Year-End collection projected at budget	-66.4%
INTEREST INCOME	0.00	0.01	N/A	0.05	0.00	0.00	0.00	N/A	0.05	0.05	Interest projected at last year's actual	-100.0%
INTERNAL SERVICE	11.75	0.00	0.0%	11.82	11.75	11.75	2.95	25.1%	11.82	0.07	Revenue projected slightly above budget	N/A
MISCELLANEOUS	0.32	0.03	9.7%	0.16	0.32	0.32	0.04	11.0%	0.16	(0.16)	Revenue reduced b/c Equipment Services no longer repairs other city's motorcycles.	13.6%
SUBTOTAL	\$12.16	\$0.05	0.4%	\$12.13	\$12.16	\$12.16	\$2.99	24.6%	\$12.12	(\$0.04)		5684.9%
CARRYFORWARDS	5.48	1.29	23.5%	1.29	0.00	11.67	0.04	0.3%	3.03	(8.64)	CF to be spent in Maximus, Equipment Purchases and MSC pumps. All other CF will roll forward to future years	-97.3%
TOTAL	\$17.64	\$1.34	7.6%	\$13.42	\$12.16	\$23.83	\$3.02	12.7%	\$15.15	(\$8.68)		125.7%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
EQUIPMENT FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actual Spending	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr Growth Q1 to Q1
PUBLIC WORKS	16.78	2.80	16.7%	17.30	15.95	16.14	2.57	16.0%	16.24	(0.10)	-0.61%	Overspending in O&M will be mostly offset by savings in personnel due to 790 layoffs of 4 FTE	-7.9%
CAPITAL IMPROVEMENT PROGRAM	3.90	0.34	8.7%	0.19	0.00	11.48	0.04	0.3%	2.84	8.64	75.26%	Battery chargers, Maximus system, vehicle purchases and fuel pump projects to be completed this year. All others will roll over to next year.	-89.7%
TOTAL	20.68	3.14	15.2%	17.49	15.95	27.63	2.61	9.4%	19.08	8.55	30.93%		-16.7%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
FACILITIES FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q1 to Q1
INTEREST INCOME	0.00	(0.05)	N/A	(0.22)	0.00	0.00	(0.00)	N/A	(0.22)	(0.22)	Negative earnings due to negative fund balance	-96.5%
SERVICE CHARGES	0.36	0.06	16.5%	0.45	0.47	0.47	0.07	15.5%	0.47	0.00	Service Charges collection projected at budget	21.5%
INTERNAL SERVICE	14.62	0.01	0.1%	15.07	15.51	15.51	3.88	25.0%	15.51	0.00	Revenue collection projected at budget	39020.8%
SUBTOTAL	\$14.98	\$0.02	0.1%	\$15.30	\$15.97	\$15.97	\$3.95	24.7%	\$15.75	(\$0.22)		19324.1%
CARRYFORWARDS	0.91	0.70	76.9%	0.70	0.00	0.29	0.00	0.0%	0.25	(0.04)	HVAC project will be completed in this year; all others will roll over to next year	-100.0%
TOTAL	\$15.89	\$0.72	4.5%	\$16.00	\$15.97	\$16.26	\$3.95	24.3%	\$16.00	(\$0.26)		448.5%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
FACILITIES FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 1st Qtr Adjusted Budget	FY 2003-04 1st Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 1st Qtr Adjusted Budget	FY 2004-05 1st Qtr Actual Spending	FY 2004-05 Percent To Date	FY 2004-05 Year-End Estimate	Year-End \$ (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr Growth Q1 to Q1
PUBLIC WORKS	18.67	3.91	20.9%	17.83	18.80	18.84	3.05	16.2%	17.59	1.25	6.63%	Savings in personnel and O&M	-22.1%
CAPITAL IMPROVEMENT PROGRAM	0.30	0.00	0.0%	0.03	0.00	0.25	0.00	0.0%	0.25	0.00	0.00%	HVAC project will be completed in this FY	N/A
TOTAL	18.97	3.91	20.6%	17.86	18.80	19.09	3.05	16.0%	17.84	1.25	6.54%		-22.1%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through First Quarter (July 1, 2004 through September 30, 2004)
OVERTIME ANALYSIS

A. GENERAL PURPOSE FUND

Agency / Department	FY 2003-04 Year-End Overtime Spending	FY 2004-05 Adopted Overtime Budget	FY 2004-05 1st Qtr Adjusted Overtime Budget	FY 2004-05 1st Qtr Actual Overtime Spending	FY 2004-05 Percent To Date	FY 2004-05 Year- End Overtime Estimate	Year-End \$ (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings
A. GENERAL PURPOSE FUND									
MAYOR	0	8,462	8,462	0	0.0%	0	8,462	100.00%	No overtime spending is projected this year
CITY COUNCIL	0	0	0	0	N/A	0	0	N/A	
CITY ADMINISTRATOR									
Administration	0	0	0	0	N/A	0	0	N/A	
Citywide Support	251	0	0	515	N/A	515	(515)	N/A	Comp Time earnings in the ADA Program; will be offset with O&M savings within Citywide Programs
Subtotal City Administrator	251	0	0	515	N/A	515	(515)	N/A	
CITY CLERK	26,252	0	0	5,016	N/A	30,000	(30,000)	N/A	Over-time overtime spending on Agenda Management process.
CITY ATTORNEY	6,970	0	0	3,547	N/A	3,547	(3,547)	N/A	Overtime spending is for trial and court preparation and is offset by salary savings
CITY AUDITOR	259	0	0	0	N/A	0	0	N/A	
FINANCE & MANAGEMENT (FMA)									
Information Technology	70,870	4,222	4,222	27,903	660.9%	83,709	(79,487)	-1882.69%	Overtime on server maintenance & help desk and installations; will be offset with O&M savings
Personnel Resource Management	85,751	41,094	41,094	24,323	59.2%	72,969	(31,875)	-77.57%	Overtime on Recruitment and Payroll operations; will be offset with O&M savings
Finance	344,691	166,450	166,450	58,146	34.9%	174,438	(7,988)	-4.80%	Overtime on Parking Citation and year-end closing process; will be offset with O&M savings
Subtotal FMA	501,312	211,766	211,766	110,372	52.1%	331,117	(119,351)	-56.36%	
POLICE SERVICES	12,430,046	11,562,910	11,231,888	4,880,208	43.4%	18,350,606	(7,118,718)	-63.38%	Over-spending includes \$0.66 million related to unanticipated sideshows and increased OT usage due to backfill. Violence Reduction Plan OT is also included but is funded at \$1.6 million.
FIRE SERVICES	7,252,729	3,091,598	3,091,598	2,430,512	78.6%	7,545,356	(4,453,758)	-144.06%	Overtime spending is high due to roving patrols during high fire season, academy training and promotional exams. Overspending in year-end will be offset by vacancy savings.
CULTURAL ARTS & MARKETING (CAM)									
Museum of Oakland	28,074	0	0	11,269	N/A	33,807	(33,807)	N/A	Overtime on Alice Arts/Malonga Casquelourd Center and Security Services
Marketing & Special Events	1,182	0	0	2,523	N/A	7,569	(7,569)	N/A	Overtime spending due to Film Office activities; will be offset with O&M within Marketing Programs
Subtotal CAM	29,256	0	0	13,792	N/A	41,376	(41,376)	N/A	
LIBRARY SERVICES	6,735	9,382	9,382	1,289	13.7%	3,667	5,515	58.78%	Overtime incurred to provide extended Library hours while recruitment is in process.
PARKS & RECREATION	40,324	0	0	17,152	N/A	30,000	(30,000)	N/A	Overtime due to summertime-only after-hours programming such as the Sea Odyssey program
HUMAN SERVICES	8,882	542	542	4,061	749.3%	9,538	(8,996)	-1659.69%	Overtime primarily incurred by Senior Center Unit and accounting staff to meet drawdown reporting requirements.
COMM & ECON DEVELOPMENT	445,917	288,075	288,075	112,120	38.9%	448,480	(160,405)	-55.68%	Overtime mainly incurred by Building Services and Planning. Overall projected to over-expended PS; can stay within appropriation by underexpending O&M
PUBLIC WORKS	817	0	0	5,784	N/A	0	0	N/A	YTD overtime charges to GPF are erroneous, will be transferred out.
TOTAL	20,748,750	15,172,735	14,841,713	7,584,369	51.1%	26,794,400	(11,952,687)	-80.53%	

Agency / Department	FY 2003-04 Year-End Overtime Spending	FY 2004-05 Adopted Overtime Budget	FY 2004-05 1st Qtr Adjusted Overtime Budget	FY 2004-05 1st Qtr Actual Overtime Spending	FY 2004-05 Percent To Date	FY 2004-05 End Overtime Estimate	Year-End S (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings
B. ALL FUNDS									
MAYOR	0	8,462	8,462	0	0.0%	0	8,462	100.00%	No overtime spending is projected this year
CITY COUNCIL	0	0	0	0	N/A	0	0	N/A	
CITY ADMINISTRATOR									
Administration	0	0	0	0	N/A	0	0	N/A	
Citywide Support	1,097	0	0	1,249	N/A	1,249	(1,249)	N/A	Spending on Comp Time earnings for ADA and Contract Compliance Programs; will be offset by O&M within Citywide Programs
Subtotal City Administrator	1,097	0	0	1,249	N/A	1,249	(1,249)	N/A	
CITY CLERK	26,252	0	0	3,670	N/A	30,000	(30,000)	N/A	Over-time on Agenda Management process.
CITY ATTORNEY	6,970	0	0	7,094	N/A	12,000	(12,000)	N/A	Overtime spending is for trial and court preparation and is offset by salary savings.
CITY AUDITOR	259	0	0	0	N/A	0	0	N/A	
FINANCE & MANAGEMENT									
Information Technology	78,455	13,533	13,533	31,423	232.2%	125,694	(112,161)	-828.79%	Overtime on server maintenance & help desk and installations; will be offset with O&M savings
Personnel Resource Management	85,751	41,094	41,094	24,323	59.2%	97,293	(56,199)	-136.76%	Overtime on Recruitment and Payroll operations; will be offset with O&M savings
Finance	374,375	171,717	171,717	64,849	37.8%	259,397	(87,680)	-51.06%	Overtime on Parking Citation and year-end closing process, will be offset with O&M savings
Subtotal Finance & Management	538,581	226,344	226,344	120,596	53.3%	482,383	(256,039)	-113.12%	
POLICE SERVICES	14,383,933	11,904,929	11,908,848	4,989,558	41.9%	19,124,232	(7,215,384)	-60.59%	Over-spending includes \$0.66 million related to unanticipated sideshows and increased OT usage due to backfill. Violence Reduction Plan OT is also included but is funded at \$1.6 million.
FIRE SERVICES	7,662,560	3,295,274	3,295,274	2,727,549	82.8%	8,614,687	(5,319,413)	-161.43%	Overtime spending is high due to roving patrols during high fire season, academy training and promotional exams. Overspending in year-end will be offset by vacancy savings.
CULTURAL ARTS & MARKETING									
Museum of Oakland	46,388	43,000	43,000	12,609	29.3%	50,437	(7,437)	-17.29%	Overtime on Alice Arts/Malonga Casquelourd Center and Security Services.
Marketing & Special Events	8,453	0	0	5,273	N/A	21,090	(21,090)	N/A	Overtime spending due to Film Office and KTOP activities; will be offset with O&M savings in Marketing Programs
Subtotal CAM	54,841	43,000	43,000	17,882	41.6%	71,527	(28,527)	-66.34%	
LIBRARY SERVICES	20,208	9,382	9,382	3,065	32.7%	9,382	0	0.00%	Overtime incurred to provide extended Library hours while recruitment is in process. Library anticipates that overtime will not exceed budgeted amount once hiring to provide extended Library hours is completed
PARKS & RECREATION	231,896	0	0	18,275	N/A	35,000	(35,000)	N/A	Overtime primarily due to after-hours summertime-only programming such as the Sea Odyssey program.
HUMAN SERVICES	37,008	542	542	7,612	1404.5%	22,837	(22,295)	-4113.48%	Overtime mainly incurred by Hunger & Homeless staff to meet reporting requirements.
COMM & ECON DEVELOPMENT	507,315	288,075	288,075	135,370	47.0%	541,480	(253,405)	-87.96%	Overexpenditure primarily incurred in Grant Clearing and HUD-CDBG funds. May be under-expenditure in Grant Clearing, given vacancies and lower actual salaries than budgeted, however HUD-CDBG may be overexpenditure and may need to transfer from O&M (carryforward) to close projected PS gap.
PUBLIC WORKS	1,774,344	480,365	705,708	497,004	103.5%	1,700,000	(94,292)	-140.89%	Overtime primarily in Infrastructure Maintenance Division, Tree Services and Sewer Maintenance Depts., related to the rainy season. Overspending will be offset by salary savings due to vacancies.
TOTAL	25,245,365	16,266,373	16,485,635	8,528,924	51.7%	30,644,777	(14,159,142)	-85.89%	

OAKLAND CITY COUNCIL

REVISED

FILED
OFFICE OF THE CITY CLERK
OAKLAND

Resolution No. 78615 = C.M.S.



2004 JUN -3 PM 7:45

RESOLUTION REQUIRING THE CITY ADMINISTRATOR TO SEEK CITY COUNCIL DIRECTION ON PROJECTED YEAR-END OVERSPENDING OF ANY CITY AGENCY / DEPARTMENT, AS REFLECTED IN QUARTERLY REVENUE AND EXPENDITURE REPORTS

WHEREAS, the City Council adopts a biennial budget of the City of Oakland, including specific appropriations for all City agencies / departments; and

WHEREAS, the City's budget, including individual appropriations of City agencies / departments is adjusted throughout the fiscal year, as a result of appropriating new revenues, accepting grants, transferring programs, and utilizing previously appropriated but unspent project and encumbrance carryforwards; and

WHEREAS, the City Administrator's Budget Office reports quarterly to the City Council on the year-to-date and projected year-end revenue collection and spending by City agencies / departments, in the General Purpose Fund, Telecommunications Fund, Contract Compliance Fund, Equipment Fund, and Facilities Fund; and

WHEREAS, the Budget Office's quarterly reports indicate whether overspending is projected by year-end for any City agencies / departments, and whether such projected overspending will be covered by savings in other agencies / departments, or through additional revenues; now, therefore, be it

RESOLVED: that the City Administrator seek City Council direction if the Budget Office's quarterly reports for the General Purpose Fund project overspending (from the current Adjusted Budget) by year-end in any agency / department of the City, even though such overspending may be covered by savings or additional revenues outside of the agency / department; and be it further

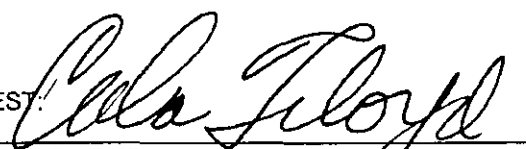
RESOLVED: that the City Council may direct the City Administrator to reduce the rate of spending in particular City agencies / departments to minimize or avoid year-end overspending; the City Council may request specific cost-cutting measures or leave it to the City Administrator's discretion; and be it further

RESOLVED: that the City Administrator return to the City Council with a report on the specific measures put in place in order to minimize or avoid year-end overspending in the specific agencies / departments as requested by the Council, and the outcomes of such measures.

IN COUNCIL, OAKLAND, CALIFORNIA, JUN 15 2004, 2004

PASSED BY THE FOLLOWING VOTE:
AYES- BROOKS, BRUNNER, CHANG, NADEL, REID, QUAN, WAN, AND
PRESIDENT DE LA FUENTE 8

NOES- 0
ABSENT- 0
ABSTENTION- 0

ATTEST: 
CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California