

CITY OF OAKLAND COUNCIL AGENDA REPORT

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: City Administrator's Budget Office
DATE: March 28, 2006

2006 MAR 15 AM 9:19

RE: Report on FY 2005-06 Second 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 the City's second quarter actuals (July 1 through December 31, 2006) and year-end projected revenues and expenditures for five selected funds (including the General Purpose, Telecommunications, Contract Compliance, Equipment and Facilities Funds).

SUMMARY OF SECOND QUARTER FINDINGS

The City's financial condition is stable due to conservative assumptions built into the FY 2005-07 Adopted Policy Budget development, and the anticipation of revenue "take-backs" by the State.

The Second Quarter Revenue & Expenditure (R&E) Report for the current fiscal year (FY 2005-06) projects a surplus in the City's largest fund – the General Purpose Fund (GPF). The Second Quarter R&E includes an analysis of actual revenues and expenditures for the GPF and four other funds for the six-month period of July 1 through December 31, 2005. It also projects year-end revenues and expenditures for these funds, and highlights significant trends. The summary tables on the following page reflect the Second Quarter R&E results, as follows:

- In the General Purpose Fund, an \$8.49 million surplus is projected by year-end. The surplus is calculated by subtracting year-end projected expenditures from projected revenues.
- In the Telecommunications Reserve/Cable Franchise Fund, a \$1.11 million deficit is projected by year-end – an increase from the \$1.04 million shortfall authorized in the FY 2005-07 Adopted Budget.
- The Contract Compliance Fund is projected to break-even by year-end. This net-zero year-end result masks this Fund's missed revenue target for FY 2005-06; this issue is addressed in the Fiscal Impact section.
- In the Equipment Fund, a \$4.38 million borrowing from the fund balance is projected by year-end, which is higher than the \$2.73 million borrowing authorized in the FY 2005-07 Adopted Budget.
- In the Facilities Fund, a \$5.02 million borrowing from the fund balance is projected by year-end – a slight decrease from the \$5.27 million borrowing authorized in the FY 2005-07 Adopted 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*.

Item # _____
Finance and Management
March 28, 2006

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)

SUMMARY (\$ in millions)

A. GENERAL PURPOSE FUND (#1010)

	FY 2005-06 Adopted Budget	FY 2005-06 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2005-06 Projected Over/(Under)	FY 2005-06 Year-End Estimate
Revenues	\$443.71	\$457.29	\$214.34	46.9%	\$10.55	\$467.84
Expenditures	\$443.51	\$457.04	\$219.74	48.1%	\$2.31	\$459.35
Variance	\$0.19	\$0.25			\$8.24	\$8.49

B. TELECOMMUNICATIONS FUND (#1760)

	FY 2005-06 Adopted Budget	FY 2005-06 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2005-06 Projected Over/(Under)	FY 2005-06 Year-End Estimate
Revenues	\$1.14	\$1.94	\$0.33	16.8%	(\$0.06)	\$1.88
Expenditures	\$2.18	\$2.99	\$2.99	31.2%	(\$0.00)	\$2.99
Variance	(\$1.04)	(\$1.05)			(\$0.06)	(\$1.11)

C. CONTRACT COMPLIANCE FUND (#1790)

	FY 2005-06 Adopted Budget	FY 2005-06 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2005-06 Projected Over/(Under)	FY 2005-06 Year-End Estimate
Revenues	\$0.14	\$0.14	\$0.03	22.7%	(\$0.14)	\$0.00
Expenditures	\$0.00	\$0.01	\$0.59	5061.0%	(\$0.01)	\$0.00
Variance	\$0.14	\$0.13			(\$0.13)	\$0.00

D. EQUIPMENT FUND (#4100)

	FY 2005-06 Adopted Budget	FY 2005-06 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2005-06 Projected Over/(Under)	FY 2005-06 Year-End Estimate
Revenues	\$14.16	\$28.96	\$6.88	23.8%	(\$1.21)	\$27.75
Expenditures	\$16.89	\$31.69	\$9.10	28.7%	\$0.44	\$32.13
Variance	(\$2.73)	(\$2.73)			(\$1.65)	(\$4.38)

E. FACILITIES FUND (#4400)

	FY 2005-06 Adopted Budget	FY 2005-06 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2005-06 Projected Over/(Under)	FY 2005-06 Year-End Estimate
Revenues	\$15.44	\$19.01	\$7.59	39.9%	(\$0.42)	\$18.60
Expenditures	\$20.71	\$24.28	\$11.94	49.2%	(\$0.66)	\$23.62
Variance	(\$5.27)	(\$5.27)			\$0.24	(\$5.02)

FISCAL IMPACT

The year-end projected revenues and expenditures for four of the five presented funds vary from their respective adjusted budgets. Specifically:

- \$2.31 million overspending is projected for the General Purpose Fund (GPF) by year-end (mainly due to OPD's cost overruns; see *Attachment A-2* for details), which will be offset by \$10.55 million revenue over-collection (due to continued strength in Real Estate Transfer Tax receipts and smaller surpluses in other revenue categories; see *Attachment A-1* for details). Overall, revenues are projected to exceed expenditures by \$8.49 million in the GPF.
- \$0.06 million revenue under-collection is projected for the Telecommunications Fund by year-end, primarily due to higher than anticipated negative interest charges. This revenue under-collection may require that the 10-year rebalancing plan for this Fund (approved by Council as part of the FY 2005-07 Adopted Policy Budget) be revised or the schedule extended to ensure that the Fund is ultimately balanced. Overall, revenues are projected to trail expenditures by \$1.11 million (see *Attachments B-1 and B-2* for details).
- While the Contract Compliance Fund is projected to break-even by year-end, the effect of the budgeted GPF transfer on the 10-year repayment schedule is wiped out by higher than anticipated negative interest charges. The \$0.14 million transfer from the GPF that has been budgeted and \$0.06 million in unanticipated service charge revenue expected by year-end are effectively nullified by negative interest charges of \$0.2 million. Thus additional transfers from the GPF, or a revision or extension of the 10-year repayment schedule may be necessary to ensure that the Fund is ultimately balanced (see *Attachments C-1 and C-2* for details).
- \$1.21 million revenue under-collection is projected for the Equipment Fund by year-end, primarily due to higher than anticipated negative interest charges and lower than expected Fines and Penalties revenue. Combined with projected over-spending of \$0.44 million (due to extraordinarily high fuel costs), overall revenues are projected to trail expenditures by \$4.38 million in the Equipment Fund. This will result in the use of additional fund balance to balance the Fund (see *Attachments D-1 and D-2* for details).

While GPF revenue is anticipated to be collected ahead of the FY 2005-06 adopted budget, expenditures in excess of budget are also projected by year-end. 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 GPF overspending is projected by year-end in the Oakland Police Department and Fire Services (although fully covered by excess revenues), staff is seeking the City Council's direction on any actions required by the overspending departments.

Staff further recommends that the 10-year repayment schedules for the Telecommunications Fund, Contract Compliance Fund and the Equipment Fund – which are projected to miss their adopted revenue targets by year-end -- be updated as part of the FY 2007-09 budget approval process.

DISCUSSION

This report is organized by fund. Included in each section are discussions of: a) actual revenue collected and projections of revenues by type, along with the factors influencing them; and b) actual spending and year-end expenditure projections by agency/department, if over-expended, along with the factors influencing them. In addition to the items influencing budgets of various agencies/departments and/or funds, the vacancy rate of four percent affects the FY 2005-06 budget Citywide. This rate is assumed for most non-sworn positions in most agencies/departments, across all funds, and reflects an assumption that an average of four percent of all positions are vacant at any given point during the fiscal year. All sworn positions are exempted from the vacancy discount, as are select positions in offices with historically low vacancies or high backfill rates (such as the Mayor, City Council, City Auditor, etc.).

After an overview of the economy and current political and legal issues, a discussion of the individual funds included in this R&E report is presented starting on page 6.

GENERAL ECONOMIC OVERVIEW

The economy can be described as "solid" despite reverberating blows from the Gulf Coast hurricanes. Overall inflation has been rising, but remains relatively low despite the surge in energy prices in 2005. The Census Bureau's December 2005 Consumer Price Index (CPI) report showed an increase of 3.4 percent as compared to December 2004. The Federal Reserve Board's Open Market Committee raised its targeted interest rates on January 31, 2006 to 4.50 percent, marking the fourteenth consecutive increase to the highest level in nearly five years, while signaling that the campaign to raise interest rates to fight inflation was probably drawing to an end. The final estimate of third quarter real GDP growth came in at 4.3 percent, a 0.5 percentage point increase over the advance estimate of 3.8 percent. This was the fastest pace of GDP growth since the first quarter of the 2004 calendar year.

On the negative side, gasoline prices continued their rising trend throughout 2005, increasing by approximately 27 percent according to a Department of Energy statistical report. This trend will probably continue as worldwide demand for oil increases.

Housing is a potential challenge facing the economy. Housing activity has shown signs of slowing down in terms of sales volume and median sales price. While year-over-year sales and prices show significant increases, the latest statistics show a slowing of real estate activities after June 2005. For example, through October 2005, sales volume decreased, while median home price inflation has significantly slowed. Adding to this mix, the California Association of Realtors' report that the "affordability index" fell from 14 percent in November 2004 to 12 percent in November 2005. Consequently, the leveling off of the real estate activities and prices seem likely through 2006.

REVENUE HIGHLIGHTS

The City's General Purpose Fund revenues are projected to end the year exceeding budget, supported by the ongoing surge in Real Estate Transfer Tax revenues. *Attachment A-1* shows budgeted revenues, actual revenues for the second quarter, and year-end projections for FY 2005-06. **General Purpose Fund (GPF) total revenues are projected to end the year at \$467.84 million, which is \$10.55 million above the FY 2005-06 adjusted budget.**

The City continues to experience strong growth in its Real Estate Transfer Tax (RETT) revenue, with a projected surplus of \$7.28 million. Smaller surpluses are projected for Property Tax (\$2.74 million); Service Charges (\$1.01 million); and License & Permits (\$0.98 million). A \$0.4 million surplus is expected in Grants & Subsidies, due to the receipt of unbudgeted reimbursement for State-mandated costs.

Construction permit revenue was strong in the second quarter of the fiscal year, which should mean a large number of new units will be placed on the Oakland market in the near future. Sales of these new units should continue to bolster property tax and real estate transfer tax revenue.

Staff also projects a \$0.65 million surplus in Vehicle License Fee (VLF) revenue, the same as anticipated in the first quarter report. Part of the City's \$8.32 million VLF revenue budget consists of a \$6.25 million repayment from the State of a "loan" related to the City's FY 2003-04 VLF remittance. Though the original loan amount was \$6.9 million, the best information at the time the FY 2005-06 budget was developed was that the City would receive only \$6.25 million. However, in July the State sent the City the full loan repayment of \$6.9 million, thus generating the \$0.65 million surplus.

CURRENT POLITICAL/LEGAL ISSUES

The recently released budget proposed by Governor Schwarzenegger provides some relief to the City's burden of having to contribute financially to the State's budget deficit problems. Most notable proposals to accomplish this are as follows:

- Ending local government's ERAF contribution
- Reimbursing State mandated costs
- Continuing the COPS program
- Full funding of Proposition 42

If these budget proposals are passed, the City's budget will improve, as funding previously taken away or deferred is returned. A revised proposed budget will be released in May 2006, while passage of the State's budget is due at the end of June 2006.

On a less positive note, in September 2005, Governor Schwarzenegger signed AB 451 to eventually end a 2002 economic development agreement between the City of Oakland and United Airlines that has been generating tax revenues for the City. The 2002 agreement had effected the relocation of United Airlines' fuel purchasing and resale business to Oakland, which generated additional sales and business license tax revenues. AB 451 signed by Governor Schwarzenegger in September 2005 will end this agreement, as well as other such jet fuel buying agreements between municipalities

and airlines, as of January 1, 2008. This law will not affect FY 2005-07 projected revenues, as it will take effect outside of the current budget cycle.

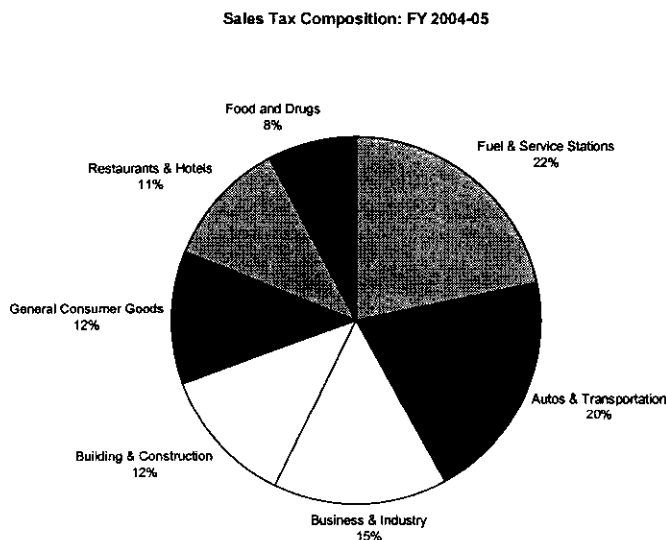
A. GENERAL PURPOSE FUND

Property Tax

Property tax revenue collected through the end of the second quarter was \$49.19 million, seven percent higher than for the second quarter of FY 2004-05. This \$49.19 million represents 52 percent of the current budget of \$94.56 million. The City expects to receive a “true-up” payment related to the FY 2004-05 VLF-Property Tax swap in the amount of about \$1.4 million. The City also learned that the increase in FY 2005-2006 assessed valuation is higher than expected, which should add an additional \$1.3 million. Because of these two factors, **property tax is projected to end the year at \$97.3 million, representing a surplus of approximately \$2.74 million over budget.**

Sales Tax

Sales tax revenue through the second quarter was \$21.18 million, which is a 3.2 percent decrease compared with the second quarter of FY 2004-05. This \$21.18 million represents 49.9 percent of the current budget of \$42.42 million.



The chart above shows Sales Tax revenue composition for the FY 2004-05. Fuel & Service Stations, which two years ago was 9 percent of the total, grew to 22 percent during FY 2004-05 – a dramatic increase attributable to two factors: the recent rise in gas prices and the City’s fuel sales agreement with United Airlines.

The City has received a negative adjustment from the State Board of Equalization related to the 2004-05 fiscal year; the amount is \$780,000 (this was reported in the first quarter revenue and

expenditure analysis.) However, other sales tax revenue, particularly from the City's agreement with United Airlines regarding fuel sales, should offset this negative. **We project year-end sales tax to reach the budgeted \$42.4 million.**

The following are some of the major changes in the local retail market that are expected to strengthen Sales Tax revenue:

- A new Wal-Mart opened at the corner of Hegenberger and I-880 in August 2005.
- A new Whole Foods grocery store is slated to open in the summer of 2006 at Harrison and Grand Avenue.
- Infiniti of Oakland opened in May 2005.
- Tec of California, Inc., a new and used automotive dealer, opened in July 2005.

Vehicle License Fee (VLF)

VLF revenue through the second quarter was almost \$8.0 million -- a large increase over the second quarter of FY 2004-05. This \$8.0 million represents 96.1 percent of the current budget of \$8.32 million.

Of the budgeted \$8.32 million, \$6.25 million represents a repayment from the State of a "loan" related to the City's FY 2003-04 VLF remittance. The original loan amount was \$6.9 million, but the best information at the time the FY 2005-07 budget was developed was that the City would receive only \$6.25 million. However, in July, pursuant to an item in the State's FY 2005-06 Budget, the State reimbursed the City the full loan repayment of \$6.9 million, thus generating a \$0.65 million surplus. **We project VLF revenues to end the year at nearly \$9 million, exceeding the \$8.32 million budget.**

Business Tax (BT)

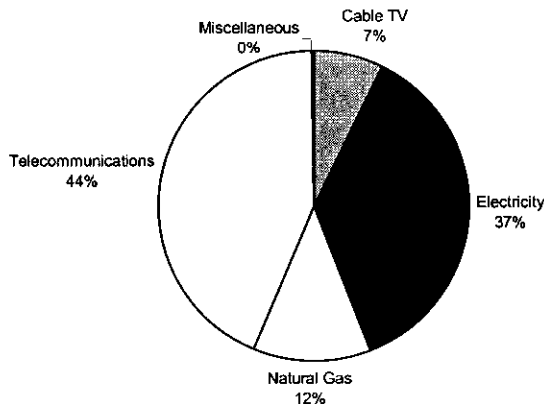
BT revenue through the end of the second quarter was \$1.69 million – 36 percent lower than second quarter receipts in FY 2004-05. The \$1.69 million is 3.7 percent of the current budget of almost \$46.0 million. These second quarter receipts are not surprising since the bulk of Business Tax receipts are normally collected between January and March. However, due to the significant negative variance in the year-over-year receipts during this period, **we project that FY 2005-06 BT revenue will end the year at \$45.21 million, \$0.75 million below the budgeted \$45.96 million. We will report on the status of the third quarter collections in the next quarterly report**

Utility Consumption Tax (UCT)

UCT revenue through the end of the second quarter was \$23.74 million, which was 7.1 percent lower than second quarter revenue in FY 2004-05. The \$23.74 million represents 47.3 percent of the current budget of \$50.2 million.

The chart below shows the composition of the UCT in FY 2004-05. Historically, about three-quarters of the energy category comes from electricity, so natural gas accounts for 12 percent of UCT as a whole.

Utility Consumption Tax Composition: FY 2004-05



According to recent PG&E reports unusually warm temperatures led to lower-than-expected natural gas usage in November and December. Ratepayers in general have been conserving natural gas usage even after factoring in their adjustments for the warmer weather. PG&E reports that west coast storage facilities have enough gas supply to meet customers' demand through winter. Yet, ample storage and lower natural gas prices notwithstanding, a cold snap could reverse the low energy usage in this volatile market. At this time, **we project UCT revenue to end the year at the budgeted \$50.2 million**

Real Estate Transfer Tax (RETT)

RETT actual revenue through the end of the second quarter was \$39.32 million, which is 1.5 percent lower than second quarter collections in FY 2004-05. The \$39.32 million represents 65.3 percent of the current budget of \$60.22 million.

RETT actual revenue through the second quarter exceeded budgeted revenue due to the large RETT collections in December. Contributing to the large December collections was the sale of Broadway-Webster Medical Plaza that sold for approximately \$25 million. However, actual collections in October and November 2005 showed a slowdown in RETT, both as compared to the first quarter results as well as to October and November of 2004. Data for Alameda County showed that price increases have leveled off, and the number of units changing hands has declined slightly in the second quarter. Because of the robust RETT collections received in the first quarter, **we project RETT to end the year at \$67.5 million, nearly \$7.3 million above the budgeted \$60.22 million.**

Transient Occupancy Tax (TOT)

TOT revenue collected through the end of the second quarter was \$5.92 million, which is 18 percent higher than second quarter collections in FY 2004-05, reflecting both a resurgence in TOT revenue

and a collection of one-time back payment. The \$5.92 million represents 60.3 percent of budget. **We conservatively project year-end revenue to reach the budgeted \$9.82 million.**

Parking Tax

Parking tax is imposed on the occupant of an off-street parking space – in a lot or a garage – for the privilege of renting said space. It is collected by the facility operator and then remitted to the City. With the passage of Measure Y, the total parking tax rate in Oakland is 18.5 percent. Of this, ten percent accrues to the General Purpose Fund and 8.5 percent to the Measure Y Fund.

Parking Tax revenue through the end of the second quarter was \$4.04 million, 0.5 percent lower than second quarter collections in FY 2004-05. The \$4.04 million represents 46.7 percent of the current year budget of \$8.65 million. **We project to end the year at the budgeted \$8.65 million.**

Licenses & Permits

Licenses & Permits revenue through the end of the second quarter was \$9.78 million, 32.6 percent higher than second quarter collections in FY 2004-05. The \$9.78 million represents 58.5 percent of the current budget of \$16.72 million.

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, remodels and additions. In FY 2004-05, 83 percent of this category came from a combination of construction permits and permits related to construction, such as sidewalk/driveway, sewer, grading and excavating, encroachment and obstruction. Another nine percent is derived from planning permits and five percent comes from streets and curbs permits.

Community and Economic Development Agency staff report that numerous large projects are in various stages of the planning process; significant growth in this category is expected over the next year or two. Based on the year-to-date receipts, known seasonality, and anticipated collections through the end of the year, **we project year-end Licenses & Permits to reach, \$17.7 million, almost \$1.0 million above the budgeted \$16.72 million.**

Permit Type	FY 2002-03	% of Total	FY 2003-04	% of Total	FY 2004-05	% of Total
Animal Licenses	177,643		197,571		183,741	
Bicycle Licenses	1,005		708		567	
Licenses	178,648	1.4%	198,279	1.4%	184,308	1.2%
Construction Permits	10,382,028	80.1%	10,949,518	77.5%	13,046,257	83.4%
Sidewalk/Driveway Permits	103,572		98,731		124,526	
Sewer Permits*	289,623		59,866		-	
Grading and Excavating Permit	354,309		1,116,167		327,943	
Encroachment Permits	453,414		293,424		301,495	
Obstruction Permits	98,409		54,076		44,904	
Streets & Curbs Permits	1,299,326	10.0%	1,622,264	11.5%	798,868	5.1%
Police Permits	54,888		81,580		88,829	
Fire Permits	208,719		102,523		44,107	
Fire Clearance Certificate	6,607		6,891		11,484	
Charity Permits	2,850		5,938		1,976	
Residential Parking Permits	49,242		49,121		58,831	
Tree Removal Permits	9,270		17,728		13,946	
NPDES Monitoring (National Pollution Discharge Elimination System)	2		197		4	
Special Permits	331,578	2.6%	263,978	1.9%	219,177	1.4%
Planning Permit - Zoning	471,323		584,479		790,439	
Planning Permit - Subdivision	115,649		151,709		291,417	
Planning Permit - Environmental	187,513		363,691		314,213	
Planning Permits	774,485	6.0%	1,099,879	7.8%	1,396,069	8.9%
Total	12,966,064	100.0%	14,133,918	100.0%	15,644,679	100%

* Beginning in FY2004/05, Sewer Permit Revenues are credited to Fund 3100 - Sewer Fund

Fines & Penalties

Fines & Penalties revenue through the end of the second quarter was \$11.08 million, 13.1 percent lower than second quarter collections in FY 2004-05. The \$11.08 million represents 41.7 percent of the current year's \$26.58 million budget. **The year-end projection for Fines & Penalties is the budgeted \$26.58 million.**

Interest Income

The level of interest income to the GPF is a product of three factors: funds available for short-term investment; short-term 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*. Finance and Management Agency staff are working with departments responsible for managing grant funds to develop a way to have the negative interest charged back to the department, as an incentive to get reimbursed as quickly as possible.

Interest income through the end of the second quarter was \$0.73 million, significantly larger than second quarter collections in FY 2004-05. There is no revenue budgeted in this category because most, if not all, interest income is expected to be offset by negative interest charges, as explained above.

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

Service Charges

SERVICE CHARGES DETAIL				
	FY2005-06 Budget	2Q Actuals	YE Projection	Projected Variance
Port Revenue	\$12,980,805	\$ 388,601	\$ 12,980,805	-
Police component	5,363,461	-	5,363,461	-
Fire component	5,543,370	-	5,543,370	-
General Revenues	2,073,974	388,601	2,073,974	-
Franchise Taxes	11,198,041	2,692,093	11,198,041	-
Miscellaneous	11,999,223	5,515,398	12,504,223	505,000
Parking Meter Fees	7,933,189	3,763,096	7,933,189	-
Public Works Fees	5,356,212	3,960,792	5,861,212	505,000
Personnel Services	3,787,734	1,014,949	3,787,734	-
Rental Concessions	2,232,150	950,767	2,232,150	-
Total	\$55,487,354	\$18,285,696	\$ 56,497,354	\$1,010,000

Service Charge revenues through the end of the second quarter were \$18.29 million, which is 2.4 percent lower than second quarter collections in FY 2004-05. This \$18.29 million represents 33 percent of the adjusted budget of \$55.49 million. **Year-end projection is \$56.5 million, approximately \$1.01 million above the budgeted \$55.49 million.**

Service Charges contain a variety of revenue types. The table above shows the major categories, with adjusted budget, second quarter actuals, projected year-end totals and the projected year-end variance.

Port Revenue consists of payments for Police, Fire, and other services the City provides to the Port. The City invoices semi-annually, based on actual costs of services. The first semi-annual billing will be sent to the Port in January 2006. Assuming the Port pays all expected amounts, **we project Port revenue at the budgeted \$13.0 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. Due to timing differences of remittances for different payers, we still expect the **Franchise Taxes to reach the budgeted \$11.20 million.**

Miscellaneous Service Charges include parks and recreation fees, a variety of inspection fees, general plan surcharges, and miscellaneous sales. Many of the fees were increased as part of the annual modifications to the City's Master Fee Schedule. Year-to-date collections are above budget in several construction-related categories and **we project year-end revenue to reach \$12.5 million, or \$0.5 million above the budgeted \$12.0 million.**

Parking Meter Revenue consists of charges for parking in metered street stalls. This revenue was nearly \$3.8 million through the end of the second quarter, representing 47 percent of the current budget of \$7.9 million. **Parking meter revenue is projected to end the year at the budgeted \$7.9 million.**

Public Works Fees and Permits primarily represent street and sidewalk work done in conjunction with other building activity. The City's strong housing market is translating to strong second quarter receipts in this category of approximately \$4.0 million. **We project year-end revenue to reach \$5.86 million, \$0.5 million greater than the budgeted \$5.36 million.**

Personnel Services: These are reimbursements to the City for police protection at a variety of special events or activities such as A's games, Oakland Raiders games, concerts, street fairs or festivals, or for production of 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. **We project year-end revenue at the budgeted level of \$3.8 million.**

Rental Concessions: These represent fees for the rental of the City's facilities and lands, as well as concessions at various locations. Revenue through the second quarter is almost \$1.0 million. This revenue has a heavy seasonal component and **we project year-end revenue at the budgeted level of \$2.2 million.**

Grants & Subsidies

Grants & Subsidies revenue through the end of the second quarter was \$0.4 million. This \$0.4 million consists of a reimbursement from the State for costs incurred by the City in fulfilling State Mandates. The reimbursement was not budgeted because in recent years the State has been erratic in making this reimbursement. Since it is unclear whether any additional reimbursements for State-Mandated costs will be received, we project year-end Grants & Subsidies revenue to be \$0.4 million.

Miscellaneous

Miscellaneous revenue through the end of the second quarter was \$0.65 million, which is 58.7 percent lower than second quarter collections in FY 2004-05. The \$0.65 million represents 13.9 percent of the current budget of \$4.69 million. The decrease from FY 2004-05 is not significant, as this revenue is highly seasonal and its components have changed since FY 2004-05. The primary components of the FY 2005-06 Adjusted Budget for Miscellaneous revenues are a payment from the Oakland Base Reuse Authority and revenue from anticipated land sales. The City-owned parcels of land were auctioned off in November at the anticipated amount of \$2.6 million. Staff

obtained approval from the Council in January 2006 to complete the sales transactions and escrow is expected to close within 60 days. Proceeds from these land sales are expected to be fully realized. **We project that Miscellaneous revenue will end the year at the budgeted \$4.69 million.**

Fund Transfers

Fund transfers through the end of the second quarter were \$14.1 million, representing 70 percent of the current budget of \$20.13 million.

The Fund Transfers category this fiscal year includes two components:

- a \$0.60 million transfer from the Sewer Service Fund (a continued repayment for building occupancy costs), and;
- a \$6.30 million transfer from the Municipal Improvement Capital Fund (a continued reimbursement for capital costs funded out of the General Purpose Fund).

The year-end Transfers amount is projected at the budgeted level of \$20.13 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 2005-06, \$13.53 million in projects and encumbrances were carried forward from FY 2004-05.** 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. Through the second quarter, \$7.29 million of the project carryforward balances were unspent. By year-end, we project that all but \$1.76 million will remain unspent and be carried forward to FY 2006-07.

EXPENDITURE HIGHLIGHTS

As outlined in *Attachment A-2*, the General Purpose Fund (GPF) expenditures through the end of December 2005 were \$219.74 million, or 48.1 percent of the FY 2005-06 Adjusted Budget. **GPF total expenditures are expected to reach \$459.35 million by year-end or \$2.31 million over budget.**

Attachment A-2 also summarizes agency/department-level spending through December 2005 and projected through year-end. *Attachment F* provides the breakdown of overtime spending through December 2005 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 their year-end GPF budget. **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 \$86.49 million through December 2005, or 50.8 percent of its \$170.21 million Adjusted Budget. Given its spending to date and the continuation of current trends, along with newly implemented measures and accounting adjustments, the Agency is projected to overspend its FY 2005-06 Adjusted General Purpose Fund Budget by \$2.69 million, or 1.58 percent, through year-end. (This compares with overspending in FY 2004-05 of \$11.28 million or 7.2 percent). It should be noted that, while overspending is still projected for FY 2005-06, the Agency has made great progress in its efforts to bring its overall expenditures within budget.

Personnel Services accounted for 91.8 percent of the total quarterly spending. Personnel spending is expected to be over-budget due to accelerated spending in retirement and benefit accounts associated with sworn salaries and overtime. However, a portion of the year-to-date spending reflects charges that will be removed from the GPF and charged back to other, more appropriate funds by year-end. Specifically:

- *Sworn holiday overtime pay* projected to reach \$1.3 million by year-end, which had been charged to the GPF, will be transferred to the Paid Leave fund.
- Retirement accruals associated with *sworn compensatory time* that is cashed out instead of taken will be returned to the GPF. The amount of these accruals is estimated to reach \$0.5 million by year-end.

Overtime spending through December 2005 was \$10.78 million, reflecting 95.5 percent of the \$11.29 million annual overtime budget (see Attachment F). If current trends continue, combined with new measures, total overtime for the year is projected at \$17.9 million or \$6.6 million over budget. Of this projected overage:

- \$4.2 million overage is largely due to *backfill* and *shift extension overtime*.
- \$2.4 million is due to *holiday, court, and MOU-related overtime costs*.

Academies

As of December 2005, the Agency has 54 vacant sworn positions in the General Purpose Fund and 59 vacant sworn positions in the Measure Y Fund. The Agency began its first academy in January 2005 and continues to conduct concurrent academies. The cost to run the academies is approximately \$1.4 million annually (for 3-4 academies). These expenditures include:

- *Recruiting and Hiring*: advertisement, written testing, oral boards, background investigations, polygraphs, psychological testing, and agility testing.
- *Training*: instruction materials, instructors, facilities rental, ammunition, gear (guns, belts, vehicles, etc.).
- *Salaries for the Police Officer Trainees*: during the 26 weeks of the academy and for an additional 15 weeks during field training prior to the Agency being able to fully utilize their services.

The Agency did not receive any additional funding to run academies in FY 2004-05, FY 2005-06 or FY 2006-07. As 40 percent of the officers will be deployed to Measure Y activities, the Agency is able to charge this percentage of the academy expenditures to Measure Y. Accordingly, the Agency is expected to overspend its GPF budget for these services by \$0.84 million in FY 2005-06.

Sideshow

The Agency engaged in a number of operations during the summer of 2005 to curtail sideshow activities on the streets of Oakland. The cost for these special operations through the second quarter was \$0.67 million (total of \$0.91 million for the period May – October). As most of the activities took place in the summer months, much of the effort was expended during the first quarter of this fiscal year.

Negotiated Settlement Agreement (NSA)

The NSA requires the Agency to provide oversight/auditing services to prove compliance. These services require an increase of resources in areas that have not been considered in the Agency's budget for the past three years. The largest impact was during the past nine months when the Agency was mandated by a court order to "redouble its efforts" to become compliant in the required 51 Tasks identified in the agreement. This translated into adding an additional 14 sworn positions to the Internal Affairs Division (IAD).

Prior to implementation of the NSA, the Agency was budgeted for four sworn employees in the Office of the Inspector General (OIG) and 14 sworn and civilian employees in IAD. As the part of the Agency's efforts to adhere to the NSA, there are currently 12 sworn and civilian employees in OIG and 28 sworn and civilian employees in IAD. This is a total increase of 22 FTEs devoted to NSA implementation. The Agency's budget was not increased for the cost of the additional 22 FTEs; accordingly, funding came from existing resources within the Agency. The openings from these vacated positions had to be backfilled.

An additional financial burden is the NSA requirement of an 8:1 sworn supervision ratio. With the additional positions in IAD (the majority of which are Sergeants and Lieutenants), the impact to the budget is the need for acting command staff and associated backfill costs. The increase in the additional positions in these two divisions alone equates to over \$4.0 million.

Mandatory Working Overtime on Day-Off in Patrol (WODOP)

Due to the number of positions dedicated to NSA implementation and because the Agency has 113 vacant sworn positions (Measure Y and General Purpose Fund), all sworn ranks below Lieutenant are mandated to cover a vacant beat at least once every three weeks (e.g. backfill). The Agency also asks that officers fill the overtime assignments in special events, special grant-funded operations, vacations, sick, court assignments, etc. This practice increases the financial impact to the Agency.

Operations & Maintenance spending accounted for 8.2 percent of the total quarterly spending. The Agency anticipates that it will realize approximately \$1.0 million in O&M savings through its booking fees appropriation and in the reduction in its technology expenditures. Savings in booking fee expenditures are due to the City not being charged booking fees on arrestees with outstanding warrants from other jurisdictions. In addition, by attempting to divert its technology expenditures from the GPF into applicable grant funds, the department anticipates it will realize approximately \$1.0 million in O&M savings from these two efforts.

Fire Services

The Fire Services Agency has spent \$50.73 million through December 2005, or 49.2 percent of the \$103.13 million Adjusted Budget. Given its spending to date and the continuation of current trends, the Fire Services Agency is projected to overspend its FY 2005-06 Adjusted General Purpose Fund Budget by \$0.93 million, or 0.9 percent, through year-end. This overspending is due to the one-time payment associated with the Fair Labor Standards Act (FLSA) settlement, in which the City incorrectly calculated FLSA overtime for members of Local 55. The Fire Department's total cost of the settlement is \$1.28 million, which the City Council approved in Resolution No. 79668 C.M.S. on January 3, 2006.

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 primarily spent on City's telecommunication activities: over 98.4 percent of revenues in the past five years have gone to KTOP.

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.

The Telecommunication Fund has, over the years, accumulated a negative fund balance due to revenue under-collection and/or overspending. For example the FY 2005-06 Adopted Budget estimated revenues of \$0.99 million (before fund transfer) and expenditures of \$2.18 million, which creates a structural deficit of \$1.19 million. As part of the FY 2005-07 Adopted Policy Budget, Council approved a rebalancing of the Fund over the next ten years. This gradual repayment of the negative balance will require contributions from the General Purpose Fund. Absent these contributions, the structural operating deficit would continue to grow.

REVENUE HIGHLIGHTS

Interest Income

The Telecommunications Fund has generated negative interest charges of \$0.03 million through the end of December 2005, due to the negative fund balance discussed above; it is projected to reach negative \$0.06 million by year-end.

Fire Services

The Fire Services Agency has spent \$50.73 million through December 2005, or 49.2 percent of the \$103.13 million Adjusted Budget. Given its spending to date and the continuation of current trends, the Fire Services Agency is projected to overspend its FY 2005-06 Adjusted General Purpose Fund Budget by \$0.93 million, or 0.9 percent, through year-end. This overspending is due to the one-time payment associated with the Fair Labor Standards Act (FLSA) settlement, in which the City incorrectly calculated FLSA overtime for members of Local 55. The Fire Department's total cost of the settlement is \$1.28 million, which the City Council approved in Resolution No. 79668 C.M.S. on January 3, 2006.

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REVENUE HIGHLIGHTS

Interest Income

The Telecommunications Fund has generated negative interest charges of \$0.03 million through the end of December 2005, due to the negative fund balance discussed above; it is projected to reach negative \$0.06 million by year-end.

Service Charges (Franchise Fees)

The second quarter franchise revenue is at 28.3 percent of the adjusted budget. Revenue activity represents one quarter of Comcast payments, due to the approximate one-month lag in remittances. Thus, revenues received in January 2006 for second quarter activity were as anticipated in the FY 2005-06 adopted budget. Therefore, year-end revenue is projected to reach the budgeted level of \$0.99 million by year-end (see *Attachment B-1* for details).

Miscellaneous Revenues

Miscellaneous revenues of \$0.8 million are expected from Comcast, as approved by Council (Resolution #76872), for its portion of the City's MacArthur Boulevard utility underground capital project.

EXPENDITURE HIGHLIGHTS

The FY 2005-06 budget contains appropriations for three departments within the Telecommunications Fund: City Administrator's Marketing Division (KTOP unit), Oakland Public Library, and Non-Departmental. The total adjusted appropriation is \$2.99 million, of which \$1.22 million is dedicated to KTOP for operating expenditures; \$0.05 million is allocated to the Public Library; and \$0.05 million is budgeted for Non-Departmental payments related to the Cable Franchise Contract. Another \$1.66 million is allocated in the Capital Improvement Program for KTOP capital improvements and the City's MacArthur Boulevard utility underground capital project.

Through the end of the second quarter of FY 2005-06, approximately \$0.93 million, or 31.2 percent, has been obligated or spent. Of this amount, approximately \$0.24 million or 14.3 percent has been obligated or spent for KTOP-related capital improvements. Year-end spending is projected to be at the budgeted amount of \$2.99 million (see *Attachment B-2* for details).

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 the Public Works Agency. The growth of the program 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.

Until the end of FY 2004-05, contract compliance activities were funded via a three percent assessment against all City contracts over \$25,000, with certain exceptions authorized by the City Council. Since there was a distinct revenue stream and expenditures were made for distinct purposes, a separate fund was created.

The assessment rate, which varied between 3 and 3.5 percent over the years, never generated enough revenue to cover contract compliance expenditures. A deficit fund balance accumulated since the program's inception as a result. To address the deficit, Council approved a ten-year

rebalancing of the Contract Compliance Fund as part of the FY 2005-07 Adopted Policy Budget, beginning in FY 2005-06. Transfers from the General Purpose Fund will draw down the accumulated deficit over time, eventually bringing it to near zero at the end of ten years.

REVENUE HIGHLIGHTS

Interest Income

Due to a negative fund balance, the Contract Compliance Fund has generated negative interest charges of \$0.10 million through the end of December 2005; it is projected to reach negative \$0.20 million by year-end (see *Attachment C-1* for revenue details).

Service Charges (Assessments)

In prior years, the Contract Compliance Division generated service charge revenue from the three percent assessment on contracts over \$25,000. Various City funds used to pay for such contracts transferred funding to the Contract Compliance Fund, for use by the Division to support its personnel and operations and maintenance. However, this funding mechanism was discontinued with the passage of the FY 2005-07 Adopted Policy Budget. Rather, staff and operating costs are allocated across various funding sources (Sewer, ACTIA, Recycling program, etc) where contracts are anticipated. Although the direct appropriation method was implemented for the FY 2005-07 Adopted Budget, revenue continues to be collected from contracts in prior budget cycles. Service charges totaling \$0.60 million have been collected during this quarter.

EXPENDITURE HIGHLIGHTS

In prior years the City Administrator's Office of Contract Compliance and Employment Services was the primary recipient of the Contract Compliance Fund. The Office of the City Attorney (OCA) also received funding from this source. However, beginning in FY 2005-06, Contract Compliance activities are supported by a variety of funding sources (Sewer, ACTIA, Recycling program, etc.) where contracts are anticipated. Expenditures reflected to date will be transferred to these funds by year-end (see *Attachment C-2*).

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 Fund revenues, in the form of charges to users, will be just enough to cover the cost of providing the service(s).

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; purchasing new and disposing of surplus vehicles. Services are provided by the Equipment Services Division within the Public Works Agency.

REVENUE BACKGROUND

As described above, annual department payments to the Equipment Fund should be at a level sufficient to cover the Fund's annual costs. However, for the last several fiscal years, the Equipment Services 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 the FY 2005-06 Adopted Policy Budget, the Equipment Fund's budget includes \$16.89 million in new appropriations and \$14.16 million in budgeted revenue, meaning that its operating deficit is approximately \$2.73 million. As part of the FY 2005-07 Adopted Policy Budget, the Council approved an increase to the Equipment Fund rates, and a rebalancing of the Fund over a ten-year period. Absent these changes, the structural operating deficit would continue to grow.

REVENUE HIGHLIGHTS

Fines & Penalties, Interest, Internal Service and Miscellaneous Revenues

Equipment Fund revenue (excluding carryforwards) through the Second Quarter was \$6.88 million, representing 48.6 percent of the FY 2005-06 budget. Negative interest income, estimated under collection of fines and penalties, along with an estimated \$14.8 million in carryforward, encumbrances and council approved transfer from fund balance show a year-end revenue shortfall of \$1.21 million as compared to the adjusted budget (please see *Attachment D-1* for detail).

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 2005-06, \$14.8 million in project appropriations and non-project encumbrances were carried forward from FY 2004-05 in the Equipment Fund. This amount has been added to the Adjusted Budget as both revenue and expenditure. Some of the project carryforwards will not be spent in FY 2005-06; therefore, there will be an equal amount of carryforward "under-realization" this year.

EXPENDITURE HIGHLIGHTS

The Public Works Agency spent \$9.10 million or 31.4 percent of its \$29.01 million Adjusted Budget in the Equipment Fund through the end of December 2005 (not including CIP projects). The vast majority of these expenditures are related to the Equipment Services Division (see *Attachment D-2* for expenditure detail). The change in the adjusted budget from the first quarter revenue and expenditure report is due primarily to a reconciliation of the master lease program and carryforward funding from FY 2004-05.

Personnel Services spending was \$2.15 million, or 43.30 percent, of the annual personnel budget, and accounted for 23.6 percent of total spending. Overtime spending was above budget at \$17,274; this rate of spending is not expected to increase. Overall, personnel-related spending is expected to be under budget by approximately \$0.22 million by the end of the fiscal year.

Operations and Maintenance (O&M) spending reached \$6.96 million at the end of the second quarter. However, O&M spending will be much higher in the second half of the year, due to

extraordinarily high gasoline prices. To every degree possible, the department is attempting to reduce spending in other areas to offset higher than anticipated gas prices. Nevertheless, the department anticipates overspending its adopted budget for fuel (\$2.76 million) by roughly \$0.87 million at year-end.

Some of the City's vehicle lease-purchase costs are budgeted in a project in the Equipment Division's operating budget; the remainder of this multi-million dollar purchase will be completed in this year (see discussion on the Capital Improvement Program below). Year-end O&M expenditures are estimated to be below budget by approximately \$0.21 million.

There has been no Capital Improvement Program spending to-date in the Equipment Fund. However, the Maximus computerized fleet management system is expected to be completed this year, at a cost of \$320,000. Also, by year-end, the Department plans to purchase 83 vehicles, using the remainder of its vehicle lease-purchase funds. The total spending on vehicle lease-purchases will total \$8.60 million in both operating and capital organizations. By year-end, the total \$2.68 million Equipment Fund's CIP budget is anticipated to be spent on vehicle lease-purchases.

Total year-end spending in the Equipment Fund will be \$32.13 million, or 101.38 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 Fund revenues, in the form of charges to users, will be just enough to cover the cost of providing the service(s).

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 the Public Works Agency. 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 2005-06, budgeted new revenue is \$15.44 million, while adopted expenditures are \$20.71 million, creating an operating deficit.

To address the structural deficit, the City Council approved an increase to Facilities Fund rates, and a rebalancing of the Fund over a ten-year period as part of the FY 2005-07 Adopted Policy Budget. Without these changes, 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 explained below.

REVENUE HIGHLIGHTS

Interest, Service Charges and Internal Service Revenues

The Internal Service (work order) revenue through the Second Quarter was \$7.49 million, on target with budget. Additionally, service charge revenue totaled \$0.04 million through December 2005. The work order or service charge revenues are projected to end the year at budget. As a result, the subtotaled year-end revenue (excluding carryforwards) is projected to be roughly at budget, reaching \$15.46 million (see *Attachment E-1* for revenue detail).

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 2005-06, \$3.57 million in project appropriations and non-project encumbrances were carried forward from FY 2004-05 in the Facilities Fund.

EXPENDITURE HIGHLIGHTS

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

The Public Works Agency has spent \$11.90 million or 49.3 percent of its \$24.13 million adjusted Facilities Fund budget through the end of December 2005. Over 68 percent of these expenditures were related to the Department of Facilities & Environment, in the Facilities Services and Park & Building Maintenance Divisions.

The Facilities Fund has only one Capital Improvement Project budgeted, a project to replace one of the Heating, Ventilation and Air Conditioning (HVAC) systems at the Edgewater building. This project will be completed by year-end. A total of \$44,000 has been spent to-date in the Facilities Fund's Capital Improvement Program. Spending on capital projects will account for approximately \$0.15 million of total year-end Facilities Fund spending.

Spending in the Facilities Fund is typically higher in the second half of the year, because 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 2005-06 Adjusted Budget is projected to be underspent by \$0.66 million (2.74 percent) by year-end, due to savings in personnel costs from vacancies and underspending of the O&M budget, particularly in projects that will carry forward to FY 2006-07.

F. OVERTIME SPENDING

MAJOR OBSERVATIONS

Attachment F provides details on the overtime spending through December 2005, 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 2005-06 (at the all funds level) is projected for many departments: minor for some, but significant for others. Most departments will nevertheless manage to balance their overtime overspending with savings in other categories (primarily in salary savings from vacancies), therefore staying within their overall budget appropriations. Police and

Fire overtime overspending will add to the overall budget overspending by the end of this fiscal year, as discussed earlier in this report.

CONCLUSION/RECOMMENDATION

Variances between actual and budgeted revenue collection and expenditures are forecast for the General Purpose, Telecommunications, Contract Compliance and Equipment Funds. Resolution No. 78615 C.M.S. dictates that staff seek City Council direction on any actions required by the overspending departments if the quarterly revenue and expenditure reports forecast overspending in the General Purpose Fund is projected by year-end. While both Police and Fire Department expenditures are projected to exceed their appropriations by year-end, additional revenues fully cover this overage.

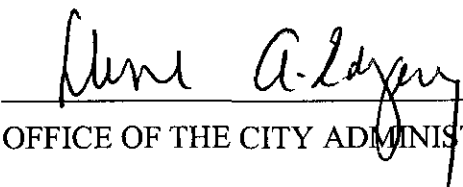
Staff further recommends that the 10-year repayment schedules for the Telecommunications Fund, Contract Compliance Fund and the Equipment Fund – which are projected to miss their adopted revenue targets by year-end -- be updated as part of the FY 2007-09 budget approval process.

Respectfully submitted,



CHERYL L. TAYLOR
Interim 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 #78615 Mandating Council Input on Projected Overspending*

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
GENERAL PURPOSE FUND REVENUES (\$ in millions)

Revenue Category	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actuals	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q2 to Q2
PROPERTY TAX	\$89.82	\$45.98	51.2%	\$90.75	\$94.56	\$94.56	\$49.19	52.0%	\$97.30	\$2.74	"True-up" related to 04-05 VLF-Prop Tax swap. Also, higher than budgeted assessed valuation.	7.0%
SALES TAX	\$41.41	\$21.89	52.9%	\$41.65	\$42.42	\$42.42	\$21.18	49.9%	\$42.42	\$0.00		-3.2%
VEHICLE LICENSE FEE (VLF) - TAX & BACKFILL	\$3.05	\$1.52	49.9%	\$2.55	\$8.32	\$8.32	\$7.99	96.1%	\$8.97	\$0.65	VLF Gap Loan repayment exceeds budget.	425.6%
BUSINESS LICENSE TAX	\$44.66	\$2.63	5.9%	\$45.90	\$45.96	\$45.96	\$1.69	3.7%	\$45.21	(\$0.75)	Few actuals yet.	-36.0%
UTILITY CONSUMPTION TAX	\$48.61	\$25.54	52.6%	\$51.18	\$50.20	\$50.20	\$23.74	47.3%	\$50.20	\$0.00		-7.1%
REAL ESTATE TRANSFER TAX	\$47.01	\$39.94	85.0%	\$77.93	\$60.22	\$60.22	\$39.32	65.3%	\$67.50	\$7.28	July-Dec collections.	-1.5%
TRANSIENT OCCUPANCY TAX	\$9.93	\$5.02	50.5%	\$10.03	\$9.82	\$9.82	\$5.92	60.3%	\$9.82	\$0.00	Slight increase above budget.	18.0%
PARKING TAX	\$9.52	\$4.06	42.6%	\$8.12	\$8.65	\$8.65	\$4.04	46.7%	\$8.65	\$0.00		-0.5%
LICENSES & PERMITS	\$14.05	\$7.38	52.5%	\$15.64	\$16.72	\$16.72	\$9.78	58.5%	\$17.70	\$0.98	Strong construction permit activity.	32.6%
FINES & PENALTIES	\$27.54	\$12.74	46.3%	\$24.87	\$26.58	\$26.58	\$11.08	41.7%	\$26.58	\$0.00		-13.1%
INTEREST INCOME	\$0.00	\$0.47	N/A	\$2.02	\$0.00	\$0.00	\$0.73	N/A	\$0.00	\$0.00	Positive interest income will be offset by negative interest charges in other funds.	55.2%
SERVICE CHARGES	\$53.56	\$18.74	35.0%	\$56.92	\$55.49	\$55.49	\$18.29	33.0%	\$56.50	\$1.01	Surplus forecast in public works fees and miscellaneous service charges.	-2.4%
GRANTS & SUBSIDIES	\$0.12	\$0.04	28.7%	\$0.21	\$0.00	\$0.00	\$0.40	N/A	\$0.40	\$0.40	Actuals are unbudgeted State Mandates.	1038.5%
MISCELLANEOUS	\$9.13	\$1.58	17.3%	\$4.63	\$4.69	\$4.69	\$0.65	13.9%	\$4.69	\$0.00		-58.7%
FUND TRANSFERS	\$6.90	\$3.45	50.0%	\$11.65	\$20.13	\$20.13	\$14.10	70.0%	\$20.13	(\$0.00)		308.6%
SUBTOTAL	\$405.31	\$190.98	47.1%	\$444.07	\$443.76	\$443.76	\$208.10	46.9%	\$456.07	\$12.31		9.0%
CARRYFORWARDS & PRIOR YEAR ENCUMBRANCES*	\$9.21	\$6.75	73.3%	\$3.33	(\$0.05)	\$13.53	\$6.24	46.1%	\$11.77	(\$1.76)	Unspent carryforwards (CEDA, Non-Dept'l, Police).	-7.6%
TOTAL	\$414.52	\$197.73	47.7%	\$447.40	\$443.71	\$457.29	\$214.34	46.9%	\$467.84	\$10.55		8.4%

*NOTE: By the end of FY 2005-06, \$11.77 million of existing carryforward is projected to be spent. The remainder (\$1.76 million) will roll forward to FY 2006-07 as carryforward. This amount will be added to the FY 2005-06 unexpended project balances, which will also roll forward as carryforward to FY 2006-07.

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
GENERAL PURPOSE FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actual Spending	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$ (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr Growth Q2 to Q2
MAYOR	\$1.69	\$0.89	52.8%	\$1.50	\$2.09	\$2.09	\$0.89	42.9%	\$2.00	\$0.08	4.06%	Underspending due to personnel vacancy.	0.2%
CITY COUNCIL	\$2.43	\$1.37	56.1%	\$2.30	\$2.75	\$2.79	\$1.59	57.1%	\$2.78	\$0.01	0.24%	Underspending due to personnel vacancies.	16.6%
CITY ADMINISTRATOR	\$7.42	\$3.20	43.1%	\$6.86	\$8.45	\$8.78	\$4.14	47.1%	\$8.78	\$0.00	0.00%		29.5%
Administration	1.88	0.86	45.6%	1.78	2.27	2.32	1.30	56.2%	2.32	0.00	0.00%		51.7%
Citywide Support	3.86	1.69	43.9%	3.54	4.54	4.58	2.04	44.4%	4.58	0.00	0.00%		20.5%
Marketing	0.86	0.35	40.5%	0.72	0.84	1.03	0.53	51.4%	1.03	0.00	0.00%		51.9%
Public Art/Cultural Funding	0.82	0.30	36.2%	0.82	0.81	0.85	0.27	31.7%	0.85	0.00	0.00%		-9.8%
CITY CLERK	\$2.18	\$0.72	33.1%	\$1.76	\$2.23	\$2.54	\$0.83	32.7%	\$2.16	\$0.39	15.22%	Savings are attributable to position vacancies.	15.4%
CITY ATTORNEY	\$7.31	\$3.51	48.0%	\$7.60	\$8.58	\$8.62	\$4.21	48.9%	\$8.62	\$0.00	0.00%		20.0%
CITY AUDITOR	\$1.02	\$0.54	53.3%	\$1.11	\$1.21	\$1.21	\$0.70	57.5%	\$1.21	(\$0.00)	-0.02%		28.5%
FINANCE & MANAGEMENT (FMA)	\$28.96	\$13.10	45.2%	\$28.87	\$32.65	\$33.19	\$16.61	50.0%	\$33.19	\$0.00	0.00%		26.8%
POLICE SERVICES	\$157.38	\$80.85	51.4%	\$168.64	\$167.82	\$170.21	\$86.49	50.8%	\$172.90	(\$2.69)	-1.58%	Overspending in sworn retirement accrual, academies, sideshows, backfill, and overtime.	7.0%
FIRE SERVICES	\$90.09	\$43.59	48.4%	\$89.52	\$102.73	\$103.13	\$50.73	49.2%	\$104.06	(\$0.93)	-0.90%	FLSA settlement payments.	16.4%
CULTURAL ARTS (CA)	\$6.57	\$3.32	50.6%	\$6.08	\$5.72	\$5.74	\$2.86	49.8%	\$5.74	\$0.00	0.00%		
LIBRARY SERVICES	\$10.67	\$5.11	47.9%	\$10.75	\$11.37	\$11.68	\$5.68	48.6%	\$11.60	\$0.09	0.74%	Underspending attributable to personnel vacancies.	11.1%
PARKS & RECREATION	\$12.22	\$6.21	50.8%	\$11.92	\$12.75	\$13.50	\$6.73	49.8%	\$13.49	\$0.01	0.07%	The department is anticipating to spend at budget.	8.3%
HUMAN SERVICES	\$8.16	\$3.07	37.6%	\$7.79	\$5.08	\$6.62	\$2.98	45.0%	\$6.58	\$0.04	0.60%	Underspending due to O&M spending.	-2.9%
COMM & ECON DEVELOPMENT	\$22.54	\$9.87	43.8%	\$19.30	\$23.22	\$25.21	\$11.93	47.3%	\$24.71	\$0.51	2.02%	Savings in personnel are attributed to vacancies primarily in Building Services and Planning/Zoning. Underspending of O&M is expected primarily in Building and Planning.	20.9%
PUBLIC WORKS	\$1.71	\$0.87	50.9%	\$1.18	\$1.65	\$2.68	\$0.91	33.8%	\$2.59	\$0.09	3.49%	The department is anticipated to spend at budget.	4.3%
NON-DEPARTMENTAL	\$54.96	\$31.20	56.8%	\$50.30	\$55.21	\$58.22	\$22.31	38.3%	\$58.13	\$0.09	0.16%	Assume everything will be spent or carried forward to FY06-07, except -\$60K for jail medical (no more payments are due) and some projected saving in Marketing based on historical spending and spending YTD.	-28.5%
SUBTOTAL	\$415.32	\$207.43	49.9%	\$415.49	\$443.51	\$456.22	\$219.60	48.1%	\$458.53	(\$2.31)	-0.51%		5.9%
CAPITAL IMPROVEMENT PROGRAM	\$1.16	\$0.29	24.8%	\$1.08	\$0.00	\$0.82	\$0.14	17.0%	\$0.82	\$0.00	0.00%	Assume project funding will be spent or carried forward to FY06-07.	-51.4%
TOTAL	\$414.42	\$207.41	50.0%	\$416.57	\$443.51	\$457.04	\$219.74	48.1%	\$459.35	(\$2.31)	-0.50%		5.9%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
TELECOMMUNICATIONS FUND REVENUES (\$ in millions)

Revenue Category	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actuals	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q2 to Q2
INTEREST INCOME	0.00	(0.02)	N/A	(0.04)	0.00	0.00	(0.03)	N/A	(0.06)	(0.06)	Interest income was not anticipated during budget development.	61.3%
SERVICE CHARGES	0.93	0.27	28.6%	0.79	0.99	0.99	0.28	28.3%	0.99	0.00		5.2%
MISCELLANEOUS	0.00	0.00	N/A	0.00	0.00	0.80	0.00	0.0%	0.80	0.00	Comcast revenue for MacArthur Undergrounding project.	0.0%
FUND TRANSFERS	0.00	0.00	N/A	0.00	0.15	0.15	0.07	50.0%	0.15	0.00		0.0%
TOTAL	\$0.93	\$0.25	26.7%	\$0.75	\$1.14	\$1.94	\$0.33	16.8%	\$1.88	(\$0.06)		31.0%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
TELECOMMUNICATIONS FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actual Spending	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$ (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Yr-to-Yr Growth Q2 to Q2
CULTURAL ARTS	1.09	0.50	45.9%	1.07	1.22	1.22	0.67	54.7%	1.22	0.00	0.00%	33.5%
LIBRARY SERVICES	0.05	0.02	40.4%	0.04	0.05	0.05	0.02	33.8%	0.05	0.00	0.00%	-5.0%
NON-DEPARTMENTAL	0.05	0.03	0.0%	0.06	0.05	0.05	0.01	16.3%	0.05	0.00	0.00%	N/A
SUBTOTAL	1.19	0.55	46.6%	1.17	1.32	1.32	0.69	52.4%	1.32	0.00	0.00%	25.3%
CAPITAL IMPROVEMENT PROGRAM	0.00	0.00	N/A	0.00	0.86	1.66	0.24	14.3%	1.66	0.00	0.00%	N/A
TOTAL	\$1.19	\$0.55	46.6%	\$1.17	\$2.18	\$2.99	\$0.93	31.2%	\$2.99	\$0.00	0.00%	68.3%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS

Through Second Quarter (July 1, 2005 through December 31, 2005)

CONTRACT COMPLIANCE FUND REVENUES (\$ in millions)

Revenue Category	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actuals	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q2 to Q2
INTEREST INCOME	0.00	(0.06)	N/A	0.00	0.00	0.00	(0.10)	N/A	(0.20)	(0.20)	Interest income was not anticipated during budget development.	62.4%
SERVICE CHARGES	0.84	0.68	80.9%	0.55	0.00	0.00	0.06	N/A	0.06	0.06	Although the direct appropriation method was implemented for the FY 2005-07 Adopted Budget, revenue continues to be collected from contracts in prior budget cycles	-89.9%
FUND TRANSFERS	0.00	0.00	N/A	0.00	0.14	0.14	0.07	50.0%	0.14	0.00		0.0%
TOTAL	\$0.84	\$0.62	73.7%	\$0.55	\$0.14	\$0.14	\$0.03	22.7%	\$0.00	(\$0.14)		-94.9%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
CONTRACT COMPLIANCE FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actual Spending	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$ (Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr Growth Q2 to Q2
CITY ADMINISTRATOR	0.97	0.46	47.7%	1.01	0.00	0.01	0.59	5061.02%	0.00	0.01	100.00%	Charges will be transferred to other funds during the year.	26.0%
CITY ATTORNEY	0.23	0.11	50.0%	0.23	0.00	0.00	0.00	N/A	0.00	0.00	N/A	Fund is no longer used by City departments.	-100.0%
TOTAL	\$1.20	\$0.58	48.1%	\$1.23	\$0.00	\$0.01	\$0.59	5061.02%	\$0.00	\$0.01	100.00%		1.3%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
EQUIPMENT FUND REVENUES (\$ in millions)

Revenue Category	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actuals	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q2 to Q2
FINES & PENALTIES	0.09	0.01	10.6%	0.03	0.10	0.10	0.03	32.3%	0.06	(0.03)	Lower than anticipated year to date actuals.	231.1%
INTEREST INCOME	0.00	0.00	N/A	0.22	0.00	0.00	(0.03)	N/A	(0.05)	(0.05)	Net of positive interest from vehicle leases.	N/A
INTERNAL SERVICE	11.75	2.95	25.1%	11.87	13.74	13.74	6.87	50.0%	13.74	0.00	Internal service charges collected as budgeted.	N/A
MISCELLANEOUS	0.32	0.10	29.7%	0.08	0.32	0.32	0.01	1.6%	0.32	0.00	Vehicle sales will be as budgeted.	-94.7%
SUBTOTAL	12.16	3.05	25.1%	12.21	14.16	14.16	6.88	48.6%	14.07	(0.09)		125.4%
CARRYFORWARDS & PRIOR YEAR ENCUMBRANCES	11.67	1.63	14.0%	2.14	0.00	14.80	0.00	0.0%	13.68	(1.12)	Unspent project funds will carry forward to FY 06 07; change in adjusted budget from the 1st qrt is based on actual carry forward.	-100.0%
TOTAL	\$23.83	\$4.68	19.7%	\$14.35	\$14.16	\$28.96	\$6.88	23.8%	\$27.75	(\$1.21)		47.0%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
EQUIPMENT FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actual Spending	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$(Over) Under	Year-End (Over) Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr Growth Q2 to Q2
PUBLIC WORKS	16.14	8.32	51.6%	17.81	16.89	29.01	9.10	31.4%	29.44	(0.44)	-1.51%	Estimated overspending is a net loss due to higher fuel costs.	9.4%
CAPITAL IMPROVEMENT PROGRAM	11.48	1.63	14.2%	0.30	0.00	2.68	0.00	0.1%	2.68	0.00	0.00%	The Department anticipates year end spending at budget; due to vehicle replacements in second half of fiscal year.	-99.9%
TOTAL	27.62	9.95	36.0%	18.11	16.89	31.69	9.10	28.7%	32.13	(0.44)	-1.38%		-8.6%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
FACILITIES FUND REVENUES (\$ in millions)

Revenue Category	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actuals	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$ Over / (Under) Adj. Bud.	Explanation of Over / (Under) Collection	Yr-to-Yr Growth Q2 to Q2
INTEREST INCOME	0.00	(0.14)	N/A	(0.26)	0.00	0.00	0.00	N/A	0.00	0.00		-100.0%
SERVICE CHARGES	0.47	0.19	39.7%	0.40	0.48	0.48	0.04	9.0%	0.48	0.00	The Department anticipates service charges collected as budgeted.	-76.3%
INTERNAL SERVICE	15.51	3.89	25.1%	15.54	14.96	14.96	7.49	50.1%	14.98	0.02	The Department anticipates internal services collected as budgeted.	92.7%
SUBTOTAL	15.97	3.93	24.6%	15.68	15.44	15.44	7.53	48.8%	15.46	0.02		91.5%
CARRYFORWARDS & PRIOR YEAR ENCUMBRANCES	0.62	0.00	0.0%	0.00	0.00	3.57	0.06	1.6%	3.13	(0.44)	Unspent project funds will carry forward to FY 06-07.	N/A
TOTAL	\$16.59	\$3.93	23.7%	\$15.68	\$15.44	\$19.01	\$7.59	39.9%	\$18.60	(\$0.42)		93.0%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
FACILITIES FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd Qtr Actuals	FY 2004-05 Percent To Date	FY 2004-05 Year-End Actuals	FY 2005-06 Adopted Budget	FY 2005-06 2nd Qtr Adjusted Budget	FY 2005-06 2nd Qtr Actual Spending	FY 2005-06 Percent To Date	FY 2005-06 Year-End Estimate	Year-End \$(Over) / Under	Year-End (Over) / Under as % of Adjusted Budget	Explanation of (Overspending) / Savings	Yr-to-Yr Growth Q2 to Q2
PUBLIC WORKS	19.06	7.98	41.9%	18.55	20.71	24.13	11.90	49.3%	23.46	0.66	2.75%	Salary savings are anticipated due to vacancies.	49.1%
CAPITAL IMPROVEMENT PROGRAM	0.36	0.00	0.0%	0.10	0.00	0.15	0.04	29.2%	0.15	0.00	0.00%	HVAC project will be completed in FY 05-05.	N/A
TOTAL	\$19.41	\$7.98	41.1%	\$18.65	\$20.71	\$24.28	\$11.94	49.2%	\$23.62	\$0.66	2.74%		49.7%

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2005 through December 31, 2005)
OVERTIME ANALYSIS

A. GENERAL PURPOSE FUND

Agency - Department	FY 2004-05 Year-End Overtime Spending	FY 2005-06 Adopted Overtime Budget	FY 2005-06 2nd Qtr Adjusted Overtime Budget	FY 2005-06 2nd Qtr Actual Overtime Spending	FY 2005-06 Percent To Date	FY 2005-06 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	2,922	8,800	8,800	1,125	12.8%	2,241	6,559	74.53%	Overtime expected to be within budget.
CITY COUNCIL	2,664	0	0	0	N/A	0	0	N/A	
CITY ADMINISTRATOR	8,128	0	0	3,084	N/A	6,562	(6,562)	N/A	Overtime spending will be covered with salary savings.
CITY CLERK	32,585	0	0	17,549	N/A	37,338	(37,338)	N/A	Overspending will be covered with salary savings.
CITY ATTORNEY	7,798	0	0	1,871	N/A	3,728	(3,728)	N/A	Overtime is attributed to trial and court preparation and will be covered by personnel/salary savings.
CITY AUDITOR	2,886	0	0	6,219	N/A	12,131	(12,131)	N/A	Overtime is attributed to staff attendance at off-hour board and committee meetings.
FINANCE & MANAGEMENT (FMA)	373,765	220,632	220,632	210,470	95.4%	447,809	(227,177)	-102.97%	Overspending will be covered with salary savings.
POLICE SERVICES	17,596,154	11,294,287	11,291,434	10,782,883	95.5%	17,900,650	(6,609,216)	-58.53%	Overtime spending is due to backfill as a result of the Negotiated Settlement Agreement and sideshows.
FIRE SERVICES	8,617,777	3,020,751	3,020,751	6,368,199	210.8%	12,560,762	(9,540,011)	-315.82%	Overtime spending is due to shortage of staff and on-going promotional exams, which will be offset by vacancy savings. FLSA settlement payments.
CULTURAL ARTS	8,873	26,640	26,640	11,964	N/A	25,455	1,185	N/A	Overtime spending will be covered with salary savings.
LIBRARY SERVICES	3,520	9,757	9,757	1,448	14.8%	2,885	6,872	70.44%	Overtime expected to be within budget.
PARKS & RECREATION	28,161	30,859	30,859	11,256	N/A	22,426	8,433	N/A	
HUMAN SERVICES	23,695	0	0	10,921	N/A	21,760	(21,760)	N/A	Overtime attributed to staff vacancies and effort to respond to federal reporting requirements.
COMM & ECON DEVELOPMENT	484,609	296,480	309,562	311,370	100.6%	615,638	(306,076)	-98.87%	Overtime spending is primarily due to vacancies. Overspending will be offset by salary savings from vacancies.
PUBLIC WORKS	7,700	25,618	25,618	41,620	N/A	82,923	(57,305)	N/A	Overtime spending is primarily on Street & Sidewalk Maintenance. PWA will meet OT spending with salary savings.
TOTAL	\$27,201,337.27	\$14,933,823.78	\$14,944,052.46	\$17,779,980.42	119.0%	\$31,742,307.92	(\$16,788,255.46)	-112.41%	

B. ALL FUNDS

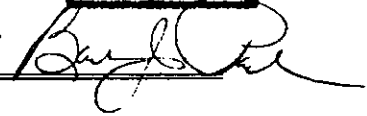
MAYOR	2,922	8,800	8,800	1,125	12.8%	2,241	6,559	74.53%	Overtime expected to be within budget.
CITY COUNCIL	3,391	0	0	0	N/A	0	0	N/A	
CITY ADMINISTRATOR	30,237	-	0	19,637	N/A	41,781	(22,144)	N/A	Overtime spending will be covered with salary savings.
CITY CLERK	32,685	-	0	18,460	N/A	39,277	(39,277)	N/A	Overtime spending will be covered with salary savings.
CITY ATTORNEY	7,798	-	0	1,871	N/A	3,728	(3,728)	N/A	Overtime is attributed to trial and court preparation and will be covered by personnel/salary savings.
CITY AUDITOR	2,886	-	0	6,219	N/A	12,131	(12,131)	N/A	Overtime is attributed to staff attendance at off-hour board and committee meetings.
FINANCE & MANAGEMENT	415,661	234,949	234,949	262,629	111.8%	558,785	(323,836)	-137.83%	Overtime spending will be covered with salary savings.
POLICE SERVICES	18,566,321	11,649,760	12,543,388	11,717,046	93.4%	19,152,605	(6,609,216)	-52.69%	Overtime spending is due to backfill as a result of the Negotiated Settlement Agreement and sideshows.
FIRE SERVICES	11,134,869	7,158,532	7,185,106	7,749,344	107.9%	16,725,117	(9,540,011)	-132.77%	Overtime spending is due to shortage of staff and on-going promotional exams, which will be offset by vacancy savings. FLSA settlement payments.
CULTURAL ARTS & MARKETING	42,674	71,360	71,360	22,433	31.4%	47,730	23,630	33.11%	Overtime spending will be covered with salary savings.
LIBRARY SERVICES	17,932	9,757	9,757	11,194	114.7%	22,303	(12,546)	-128.58%	Overtime will be covered with salary savings.
PARKS & RECREATION	29,211	30,859	30,859	12,187	N/A	24,282	6,577	N/A	
HUMAN SERVICES	45,772	-	0	29,028	#DIV/0!	57,834	(57,834)	#DIV/0!	Overtime attributed to staff vacancies, external community meetings and effort to respond to federal reporting requirements. Overspending will be met with personnel/salary savings from vacancies.
COMM & ECON DEVELOPMENT	608,357	296,480	316,562	387,622	122.4%	748,401	(431,839)	-136.42%	Overtime is primarily for community night meetings for Redevelopment, housing, Economic Development and the Workforce Investment Board. In most cases, the overtime is not budgeted and will be made from O&M.
PUBLIC WORKS	1,958,562	1,039,728	1,039,728	1,367,675	131.5%	2,724,909	(1,685,181)	-162.08%	Overtime spending is primarily in the Infrastructure & Operations and Facilities & Environment Divisions. PWA will meet OT spending with salary savings.
TOTAL	\$32,899,277.59	\$20,500,225.44	\$21,440,509.97	\$21,606,469.19	100.8%	\$40,161,122.89	(\$18,700,975.92)	-87.22%	

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

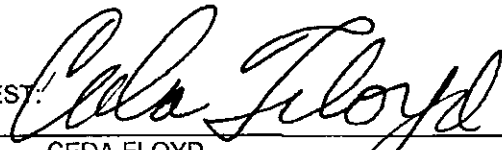
RESOLVED: that the City Council may direct the City Administrator to reduce the rate of spending in particular City agencies / departments to minimize or avoid year-end overspending; the City Council may request specific cost-cutting measures or leave it to the City Administrator's discretion; and be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