

**CITY OF OAKLAND
COUNCIL AGENDA REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2005 FEB 20 AM 11:35

TO: Office of the City Administrator

ATTN: Deborah Edgerly

FROM: Budget Office

DATE: March 8, 2005

RE: Report on FY 2004-05 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 year-to-date (July 1 through December 31, 2004) 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 AND RECOMMENDATIONS

The City's financial position continues 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. Moreover, as discussed below, the General Purpose Fund is showing a surplus by year-end, mainly thanks to Oakland's robust real estate market that is leading to unprecedented Real Estate Transfer Tax revenue receipts.

Projected Year-End Results

The Second Quarter Revenue & Expenditure (R&E) Report for the current fiscal year (FY 2004-05) projects a healthy 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 six-month period of July 1, 2004 through December 31, 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 Second Quarter R&E results, as follows:

In the General Purpose Fund, a \$6.37 million surplus is projected by year-end, mainly due to the unprecedented growth in the Real Estate Transfer Tax revenue, and despite the significant overspending projected in the Police Department. Contributing to the surplus are also the anticipated year-end savings in many City agencies and departments, who have implemented measures to keep costs under budget this fiscal year.

In the Telecommunications Reserve / Cable Franchise Fund, a \$0.26 million borrowing from the fund balance is projected by year-end, in line with the \$0.25 million authorized in the FY 2004-05 Midcycle Amended Budget.

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

In the Equipment Fund, a \$4.38 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 \$1.45 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.

Finance and Management

March 8, 2005

Item # _____

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
SUMMARY (\$ in millions)

A. GENERAL PURPOSE FUND (#1010)

	FY 2004-05 Midcycle Budget	FY 2004-05 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$404.04	\$414.52	\$197.73	47.7%	\$430.53
Expenditures	\$403.96	\$414.42	\$207.41	50.0%	\$424.16
Variance	\$0.08	\$0.10			\$6.37

B. TELECOMMUNICATIONS FUND (#1760)

	FY 2004-05 Midcycle Budget	FY 2004-05 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$0.93	\$0.93	\$0.25	26.7%	\$0.93
Expenditures	\$1.19	\$1.19	\$0.55	46.3%	\$1.19
Variance	(\$0.25)	(\$0.25)			(\$0.26)

C. CONTRACT COMPLIANCE FUND (#1790)

	FY 2004-05 Midcycle Budget	FY 2004-05 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$0.84	\$0.84	\$0.62	73.7%	\$0.84
Expenditures	\$1.20	\$1.20	\$0.58	48.1%	\$1.20
Variance	(\$0.36)	(\$0.36)			(\$0.36)

D. EQUIPMENT FUND (#4100)

	FY 2004-05 Midcycle Budget	FY 2004-05 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$12.16	\$23.83	\$4.68	19.7%	\$15.83
Expenditures	\$15.95	\$27.62	\$9.95	36.0%	\$20.21
Variance	(\$3.79)	(\$3.79)			(\$4.38)

E. FACILITIES FUND (#4400)

	FY 2004-05 Midcycle Budget	FY 2004-05 2nd Quarter Adjusted Budget	2nd Quarter Actuals	Percent To Date	FY 2004-05 Year-End Estimate
Revenues	\$15.97	\$16.59	\$3.93	23.7%	\$16.01
Expenditures	\$18.80	\$19.41	\$7.98	41.1%	\$17.46
Variance	(\$2.82)	(\$2.82)			(\$1.45)

Summary of Responses to Council Questions / Requests From First Quarter

When the first quarter Revenue & Expenditure Analysis was presented to the Finance & Management Committee, staff was requested to respond to the following inquiries in the second quarter report: 1) identifying cost-containment measures for the Office of Parks and Recreation (OPR), Museum Department within the Cultural Arts Agency (CA), and the Oakland Police Department (OPD); and 2) providing further explanation of the under-collection of the Parking Tax and the Abandoned Vehicle Fine revenues. Responses to these questions are provided below, with the exception of the OPD cost-containment measures, which will be presented in April-May, upon the completion of the OPD overtime audit.

Summary of cost-containment measures for OPR: The Parks and Recreation Department took immediate measures to reduce spending following the first-quarter R&E report, including reducing spending on temporary part-time staff, and reductions in operations & maintenance spending. Assuming that these cost-containment measures are continued in the second half of the year, the department will finish the year within its adopted budget.

Summary of cost-containment measures for Museum: The first quarter analysis projected a \$0.55 million year-end overspending by the Museum (\$0.12 million of which would occur in the Malonga Center). In response to the Finance Committee's request to take immediate actions to reduce overspending, in mid-February temporary personnel security and custodial services at the Museum and the Malonga Center were reduced, leading to an estimated \$74,000 year-end savings. The impact of these cuts in the Museum includes placing artifacts in the Museum at additional risk and reducing overall customer services, as all security resources will be focused on protecting loaned and traveling objects per contractual obligations. The Malonga Center will continue to have night-time security and security for special events as needed, and some custodial savings will be realized with the departure of the Oakland School for the Arts. Security has been enhanced at the Malonga center via the installation of electronic keys for street and lobby door access.

If requested to achieve further reductions, the Museum would reduce staff within Curatorial & Exhibition Services, Education Services, Cultural Arts Oversight, and Museum Security and Malonga Center Custodial Divisions. These staff reductions would necessitate layoffs of Local 21 staff, impacting the management of collections and exhibitions work in the History, Art and Natural Sciences galleries. Moreover, the reductions would severely reduce the financial and accounting management for the Museum, Malonga Casquelourd & Henry J. Kaiser Centers. Lastly, the reductions would further impact security and custodial services for in the Museum and Malonga Center.

Explanation of Parking Tax Under-Collection: Approximately 45 percent of Oakland's Parking Tax revenue comes from the Airport. The Airport has experienced a decline in Parking Tax revenue that began in the spring of 2004. They attribute the decline to increasingly aggressive competition from off-Airport parking lots, which was exacerbated by recent Airport parking rate increases. As parking switches from the Airport to off-Airport lots, tax revenue declines because the off-Airport lots charge less. There has not been a corresponding decline in the number of passengers.

Another, smaller factor is that efforts to collect delinquent revenue from the last five years peaked during the 2002-03 and 2003-04 periods, and have fallen since then because there is not as much delinquent revenue remaining to collect. This fall-off in delinquency collections accounts for about a \$175,000 decrease.

Explanation of Abandoned Vehicle Fine Under-Collection: The original revenue estimate for the Abandoned Vehicle program was \$1.4 million per year, as presented in the FY 2003-05 Adopted Policy Budget. It was based on an estimated 11,291 vehicles "towed" per year, multiplied by a \$250 fine, and then by an anticipated 50 percent collection rate. Police's Traffic Operations Division states that they wrote 2,362 citations in calendar 2004, which is 21 percent of the original

assumption. Police explain this discrepancy by two factors: 1) Staffing devoted to Abandoned Vehicle citations has been reduced by 33 percent; and 2) Police tow some vehicles that have been on the street for less than 72 hours (the threshold for a vehicle to qualify for the Abandoned Vehicle fine), while the original estimate of 11,291 was based on total tows and not just those on the streets for 72 hours.

Another factor driving down revenue is the *collection rate*, which at this point in time appears to be closer to 4 percent than 50 percent. This collection rate is an estimate derived by taking the total Abandoned Vehicle revenue reported for calendar year 2004 (\$24,160), dividing by the \$250 fine and again by an estimated 2,500 citations. This 4 percent figure will rise as the Parking Division in Finance pursues all its available collection options – however, at this time staff do not believe it will reach the 50 percent rate assumed in the FY 2003-05 budget. The FY 2005-07 baseline budget for this revenue has been significantly reduced, based on the above factors.

Overtime Analysis

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

FISCAL IMPACT

While the year-end projected revenues and expenditures for all five funds included in this analysis are in line with budgeted estimates (and the General Purpose Fund in particular is projected to have a healthy surplus by year-end), variances from the budgeted amounts are forecast for both GPF expenditures and revenues. Specifically, \$9.74 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 \$16.01 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 more than fully covered by the additional revenues), staff is seeking the City Council direction on any actions required by the overspending departments. The Council also may take action on the projected year-end surplus in the General Purpose Fund.

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 this page , following an overview of the economy and current political and legal issues.

GENERAL ECONOMIC OVERVIEW

As of December 2004, economic indicators continue to portray a strong national economy. The preliminary Gross Domestic Product for the fourth quarter of calendar year 2004 was a respectable 3.3%, down from 4.0% in the third quarter. The Consumer Price Index (CPI) annual average increase for the Bay Area for calendar year 2004 was a relatively low 1.2%, although it should be remembered the housing component of the CPI includes rentals only, so the continuing boom in owner-occupied home prices is not captured in the CPI. A recent article in the Wall Street Journal gives Wal-Mart a large share of the credit for lowering retail prices across the country, thus helping to keep inflation low despite recent energy price increases.

However, interest rates have become a concern. At its February meeting the Federal Open Market Committee raised interest rates for the sixth time in eight months, to head off possible inflation. Interest rates still remain low by historical standards, but if increases continue during 2005, there will be a dampening effect on economic activity.

Oakland's unemployment rate, as reported on the web page of the State's Employment Development Department, continues to drop, reaching 7.1 percent in December 2004. In March 2004 it was 9.9 percent. It is not clear whether this represents an actual increase in employment or a change in how the rate is calculated.

For 2005, economic forecasts continue to call for moderate growth – primarily because of the likelihood of future interest rate increases. Oil prices and Iraq remain major concerns.

CURRENT POLITICAL/LEGAL ISSUES

The Governor released his Proposed Budget for FY 2005-06. If adopted as is, its impacts on Oakland's conservatively developed budget would be minimal. There may be minor cuts in State aid to libraries, as well as a continued delay in funding for road repair.

A. GENERAL PURPOSE FUND

REVENUE HIGHLIGHTS

The City's revenues are projected to end the year over budget, primarily due to the continuing surge in the real estate transfer tax. *Attachment A-1* shows budgeted revenues for 2004-05, actual revenues for the second quarter, and year-end projections. **General Purpose Fund (GPF) total revenues are projected to end the year at \$430.53 million; which is \$16.01 million above the FY 2004-05 adjusted budget.**

The Real Estate Transfer Tax (RETT) continues its record-shattering pace from FY 2003-04, although there was a slight drop-off in December activity. 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 \$67.45 million, \$20.44 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.

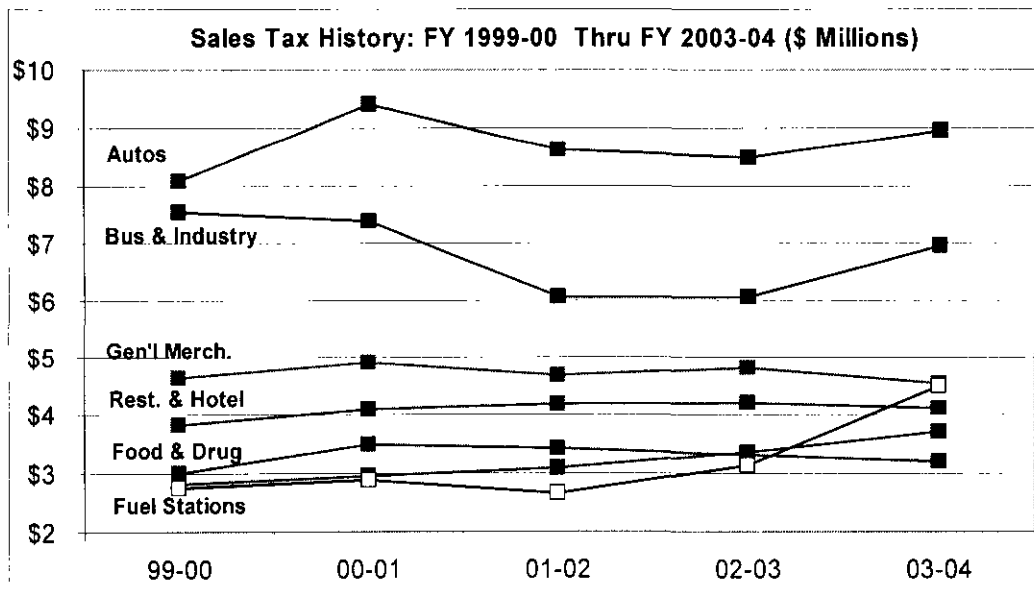
At the same time, small shortfalls are forecast for Parking Tax, Fines and Penalties, Business License Tax and Transient Occupancy Tax. These are discussed in the following section, which analyzes the individual revenue categories in detail.

Property Tax

Property tax revenue collected through the end of the second quarter was \$45.98 million, a 24.6 percent increase over the second quarter of FY 2003-04. This \$45.98 million represents 51.2 percent of the current budget of \$89.82 million. **Property tax revenue is projected to end the year at the budgeted \$89.82 million.**

Sales Tax

Sales tax revenue through the second quarter was \$21.89 million – an 8.8 percent increase compared with the second quarter of FY 2003-04. This \$21.89 million represents 52.9 percent of the current budget of \$41.41 million.



The chart on the previous page 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 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.

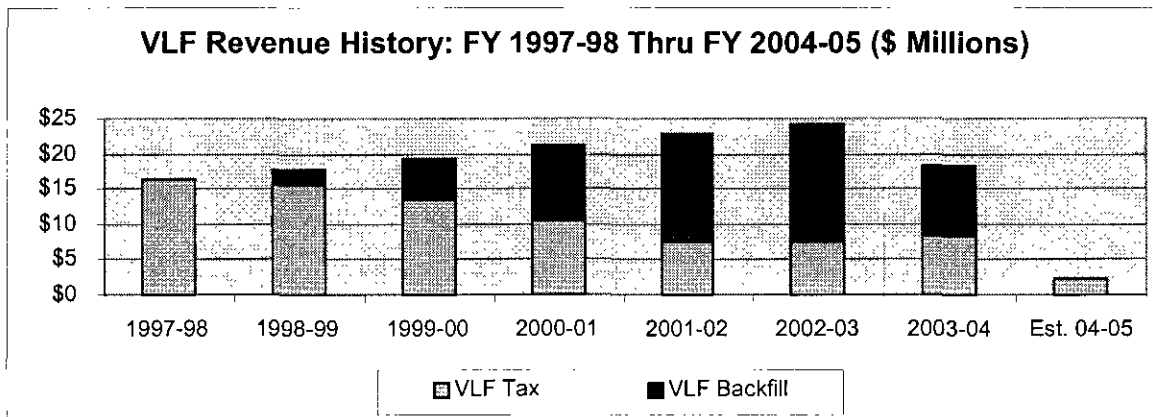
Based on the actuals received through the second quarter, and past seasonal patterns of collection, we **project year-end sales tax to be \$41.87 million**. This is slightly (\$0.46 million) above budget, mainly due to the additional sales tax revenue generated by the United Airlines fuel sales. (This deal, started in FY 2003-04, will likely discontinue after FY 2004-05.)

Some other changes occurring in the local retail market and leading to the future strength of the Sales Tax revenue include:

- Farmer Joe's signed a lease in the second quarter for a second location in the City. The store is scheduled to be open in the summer of 2005.
- A new Wal-Mart is scheduled to open in May of 2005, at the corner of Hegenberger and I-880.
- A new Whole Foods store will open in the fall of 2005, at Harrison and Grand Avenue.

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, as shown below:



VLF backfill, which had comprised the majority of VLF revenue in FY 2001-02 and FY 2002-03, disappears in FY 2004-05, leaving only a VLF tax remaining.

The 2004-05 Adopted Budget of \$3.05 million assumed that cities and counties would continue to receive the remaining VLF tax dollars in the same proportion as they had received the tax plus the backfill in prior years. However, the formula the State is using to allocate the tax in FY 2004-05 gives greater weight to counties' realignment funds. Consequently, **it is anticipated the City will receive only \$2.00 million in VLF tax in FY 2004-05, representing a shortfall of \$1.05 million from the budgeted estimate.**

Business License Tax (BLT)

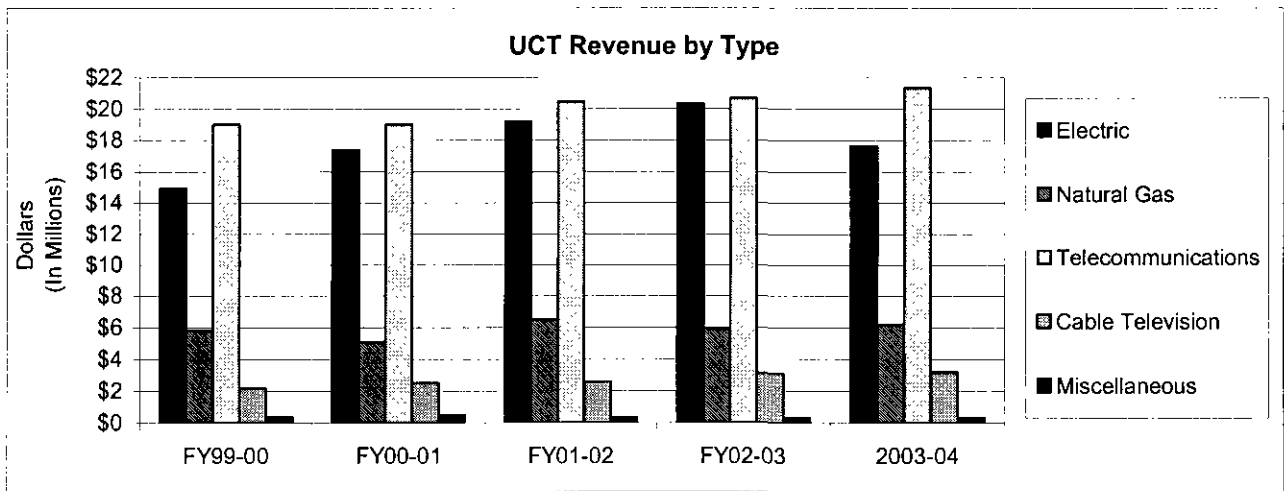
The BLT revenue through the end of the second quarter was \$2.63 million – 2.4 percent lower than second quarter receipts in FY 2003-04. The \$2.63 million is 5.9 percent of the current budget of \$44.66 million.

BLT payments are due January 1 and become delinquent on March 2, so as much as ninety percent of BLT revenue is collected between January and March. Therefore, the second quarter data are not very compelling in projecting year-end totals. Anticipated problems with the compliance process cause us to forecast a slight under-collection of this revenue from the budgeted estimate. At this time, lacking the March receipts, **we project FY 2004-05 BLT revenue to end the year at \$44.00 million, \$0.66 million below budget.**

Utility Consumption Tax (UCT)

UCT revenue through the end of the second quarter was \$25.54 million, which is 9.6 percent higher than second quarter revenue in FY 2003-04. The \$25.54 million represents 52.6 percent of the current budget of \$48.61 million.

The chart below reflects historical performance of the various UCT components. The Energy (including Electric and Natural Gas) and Telecommunications categories have historically contributed the largest shares to the UCT revenue. Electricity revenue fell in FY 2003-04 as a result of PUC-approved price decreases; however the PUC granted an electricity price increase in January 2005.



Through the second quarter of the current year, UCT is slightly above budget. Cable TV revenue was up ten percent over FY 2003-04, while the Energy category has shown seven percent growth, and the Telecommunications have remained flat. **Year-end UCT revenue is conservatively projected at \$48.67 million, \$0.06 million above budget.**

Real Estate Transfer Tax (RETT)

RETT revenue through the end of the second quarter was \$39.94 million, which is 52.5 percent higher than second quarter collections in FY 2003-04. The \$39.94 million represents 85.0 percent of the current budget of \$47.01 million.

RETT revenue growth through the second quarter of this year continues to exceed budget. Staff is reluctant to assume that current strong collections will continue through the end of the year, due to concern that Oakland may be experiencing a real estate bubble. There was a slight drop-off in

December activity. **We are conservatively projecting RETT to end the year at \$67.45 million (19.0 percent above last year's actual).**

Transient Occupancy Tax (TOT)

TOT revenue collected through the end of the second quarter was \$5.02 million, which is 3.9 percent lower than second quarter collections in FY 2003-04. The \$5.02 million represents 50.5 percent of the current budget.

The City's hotel industry has never returned to its pre-September 11th performance levels: 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 \$10.74 million in FY 2003-04 (inflated by \$1.13 million in liens not present in a normal year). Although year-to-date collections are at 50.5 percent of budget, TOT revenue has displayed a pronounced seasonal component, and we are **projecting year-end revenue to come in at \$9.57 million, or \$0.36 million under budget.**

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 that space. It is collected by the facility operator and then remitted to the City.

Parking Tax revenue through the end of the second quarter was \$4.06 million, 8.0 percent lower than second quarter collections in FY 2003-04. The \$4.06 million represents 42.6 percent of the current year budget of \$9.52 million. **We are projecting to end the year at \$8.35 million, or \$1.17 million below budget.**

The main reason an under-collection in this revenue is projected this year is lower revenue receipts from the Airport's own and Airport-related parking lots. Approximately 45 percent of Oakland's Parking Tax revenue comes from the Airport. The decline is attributed to increasingly aggressive competition from off-Airport parking lots, which was exacerbated by recent Airport parking rate increases. As parking switches from the Airport to off-Airport lots, tax revenue declines because the off-Airport lots charge less. There has not been a corresponding decline in the number of passengers.

Another, smaller factor is that efforts to collect delinquent revenue from the last five years peaked during the 2002-03 and 2003-04 periods, and have fallen since then because there is not as much delinquent revenue remaining to collect. This fall-off in delinquency collections accounts for about a \$175,000 decrease.

Licenses & Permits

Licenses & Permits revenue through the end of the second quarter was \$7.38 million, 13.8 percent higher than second quarter collections in FY 2003-04. The \$7.38 million represents 52.5 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.

Permit Type	FY 2002-03	% of Total	FY 2003-04	% of Total	YTD FY 2004-05	% of Total
Animal Licenses	177,643		197,571		83,146	
Bicycle Licenses	1,005		708		402	
Licenses	178,648	1.4%	198,279	1.4%	83,548	1%
Construction Permits	10,382,028	80.1%	10,949,518	77.5%	6,176,626	84%
Sidewalk/Driveway Permits	103,572		98,731		60,284	
Sewer Permits	289,623		59,866		-	
Grading and Excavating Permit	354,309		1,116,167		158,691	
Encroachment Permits	453,414		293,424		154,051	
Obstruction Permits	98,409		54,076		16,530	
Streets & Curbs Permits	1,299,326	10.0%	1,622,264	11.5%	389,556	5%
Police Permits	54,888		81,580		40,031	
Fire Permits	208,719		102,523		19,026	
Fire Clearance Certificate	6,607		6,891		6,779	
Charity Permits	2,850		5,938		1,140	
Boat Permits	0				-	
Residential Parking Permits	49,242		49,121		38,084	
Tree Removal Permits	9,270		17,728		6,062	
Security Alarm Permits	0		-		35	
NPDES Monitoring	2		197		4	
Special Permits	331,578	2.6%	263,978	1.9%	111,161	2%
Planning Permit - Zoning	471,323		584,479		378,858	
Planning Permit - Subdivision	115,649		151,709		126,933	
Planning Permit - Environmental	187,513		363,691		108,779	
Planning Permits	774,485	6.0%	1,099,879	7.8%	614,570	8%
Total	12,966,064	100.0%	14,133,918	100.0%	7,375,461	100.0%

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. Based on the year-to-date receipts, known seasonality and anticipated collections through the end of the year, **our year-end forecast for Licenses & Permits is \$14.78 million, or \$0.73 million above budget.**

Fines & Penalties

Fines & Penalties revenue through the end of the second quarter was \$12.74 million, 11.7 percent higher than second quarter collections in FY 2003-04. The \$12.74 million represents 46.3 percent of the current year's \$27.54 million budget.

Between eighty and eighty-five percent of Fines & Penalties revenue comes from fines for violating parking regulations, and revenue from these fines is projected to finish the year \$1.2 million above budget. However, several accounts are projected to finish significantly below budget. Abandoned Vehicles is projected to finish the year well below budget, as is another account designed to collect pre-arranged payment plans. The net result is that **the year-end projection for Fines & Penalties is \$26.84 million, \$0.69 million below budget.**

The specific problem with the *Abandoned Vehicle Fine* revenue can be explained as follows: The original estimate for revenue for the Abandoned Vehicle program was \$1.4 million per year, as presented in the FY 2003-05 Adopted Policy Budget. It was based on an estimated 11,291 vehicles "towed" per year, multiplied by a \$250 fine, and then by an anticipated 50 percent collection rate. Police's Traffic Operations Division states that they wrote 2,362 citations in calendar year 2004, which is 21 percent of the original assumption. Police explain this discrepancy by two factors: 1) staffing devoted to Abandoned Vehicle citations has been reduced by 33 percent; and 2) Police tow some vehicles that have been on the street for less than 72 hours, which is the *threshold for a vehicle to qualify for the Abandoned Vehicle fine*. However, the original estimate of 11,291 was based on total tows, not just on those on the streets for 72 hours. Another factor driving down revenue is that the collection rate, at this point in time, appears to be closer to 4 percent than 50 percent. This collection rate is an estimate derived by taking the total Abandoned Vehicle revenue reported for calendar year 2004 (\$24,160), dividing by the \$250 fine and again by an estimated 2,500 citations.** This 4 percent figure will rise as the Parking Division in FMA pursues all its available collection options – however, at this time staff do not believe it will reach the 50 percent rate assumed in the FY 2003-05 budget. The FY 2005-07 baseline budget for this revenue has been significantly reduced, based on the above factors.

Interest Income

Interest income through the end of the second quarter was \$0.47 million, 17.0 percent lower than second 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. FMA staff are 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 second quarter were \$18.74 million, which is 2.8 percent lower than second quarter collections in FY 2003-04. This \$18.74 million represents 35.0 percent of the adjusted budget of \$53.56 million. **The year-end projected revenue is \$54.10 million, or \$0.54 million above the budgeted estimate.**

Service Charges contain a variety of revenue types. The table below breaks out the major categories, showing the adjusted 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	5,269,273	3,528,104	6,080,183	810,910
Parking Meter Fees	8,191,000	3,712,402	7,543,902	(647,098)
Personnel Services	3,346,311	1,730,328	3,346,311	-
Port Revenue	12,407,084	0	12,407,084	-
Miscellaneous	9,541,441	4,989,671	9,707,106	165,665
Rental Concessions	2,714,141	1,064,819	2,652,648	(61,493)
Prisoner Maintenance Charges	1,383,013	760,383	1,500,483	117,470
Franchise Taxes	10,705,421	2,955,491	10,863,078	157,657
	53,557,684	18,741,198	54,100,795	543,111

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 second quarter were \$3.53 million, **and we are projecting year-end revenue at the \$6.08 million level, or \$0.81 million above budget.**

Parking Meter Revenue consists of charges for parking in metered street stalls. This revenue was \$3.71 million through the end of the second quarter, representing 45.3 percent of the current budget of \$7.87 million. **Parking meter revenue is projected to end the year at \$7.54 million, \$0.65 million below 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 second quarter is a little over budget, but **due to the unpredictability of this revenue, we are conservatively projecting year-end revenue to be at the budgeted level of \$3.35 million.**

Port Revenue consists of payments 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. This category is a challenge to forecast 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 to be \$9.71 million, or \$0.17 million above budget.**

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 second quarter is \$1.06 million. This revenue has a heavy seasonal component and we are **projecting year-end revenue of \$2.65 million, \$0.06 million below 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. Second quarter revenues were strong, but we will conservatively **forecast the year-end revenue to be at \$1.50 million, which is \$0.12 million above budget.**

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 \$10.86 million, \$0.16 million above budget.**

Grants & Subsidies

Grants & Subsidies revenue through the end of the second quarter was \$0.04 million. This \$0.04 million represents 28.7 percent of the adjusted budget of \$0.12 million.

The \$0.12 million budget includes only one component (the Peace Officers grant). **Year-end Grants & Subsidies revenue is projected at the budget of \$0.12 million.**

Miscellaneous

Miscellaneous revenue through the end of the second quarter was \$1.58 million, which is 52.1 percent lower than second quarter collections in FY 2003-04. The \$1.58 million represents 17.3 percent of the current budget of \$9.13 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. In addition, a land sale anticipated in June will also add to this revenue line item, increasing it slightly over budget. As a result, **the year-end Miscellaneous revenue is projected to be \$9.31 million, or \$0.17 million above budget.**

Fund Transfers

Fund transfers through the end of the second quarter were \$3.45 million, 50 percent of the current budget of \$6.90 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 \$6.9 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, \$9.21 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, \$2.46 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 December 2004 are \$207.41 million, or 50.0 percent of the FY 2004-05 Adjusted Budget. **GPF total expenditures are expected to reach \$424.16 million by year-end, or \$9.74 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 \$80.85 million through December 31, 2004, or 51.4 percent of the \$157.38 million Adjusted Budget.

Personnel Services spending accounted for 94.9 percent of the total and it is expected to be over budget due to overspending in salaries, associated benefit costs, and overtime.

Overtime

Overtime spending within the General Purpose Fund was \$9.22 million, reflecting 82.1 percent of the \$11.23 million overtime budget for the year (see Attachment F). If current trends continue, total overtime spending for the fiscal year is projected at \$18.38 million, or \$7.15 million over budget.

- \$2.33 million of the \$7.15 million projected overage is due to *holiday, court, and MOU-related overtime costs*. The remaining \$4.82 million overage is largely due to *backfill and shift extension overtime*.
- A significant increase in actual overtime has been recorded from the last fiscal year. Overall, this year's actual second quarter overtime spending increased 46 percent from last year second quarter's actual.
- In a year-to-year comparison, the projected overtime spending for this fiscal year (\$18.38 million) is almost 50% higher than last year's actual overtime spending (\$12.4 million).

Operations & Maintenance spending in the second quarter accounted for 5.1 percent of the total spending. It is estimated that the Agency will have no O&M savings by year-end.

Given its spending to date and the continuation of current trends, the Police Services Agency is projected to overspend its FY 2004-05 Adjusted General Purpose Fund Budget by \$12.9 million (8.2 percent) through year-end. (This compares with overspending in FY 2003-04 of \$10.9 million).

Cultural Arts

Overall, Cultural Arts (CA) has spent \$3.32 million or 50.6 percent of its \$6.57 million Adjusted Budget through the end of December 2004. Given its spending to date and accounting for

anticipated changes in future spending patterns, **CA is projected to over-spend its FY 2004-05 Adjusted Budget by \$0.41 million (or 6.26 percent) by year-end.** The specifics are discussed below.

Museum and Malonga Center

The Oakland Museum of California (the Museum) has spent \$3.02 million or 52.7 percent of its \$5.74 million Adjusted Budget through the end of December 2004.

Personnel Services accounted for 77.3 percent of the total spending. Through the second quarter, the Museum (excluding the Malonga Casquelourd Center of the Arts) has spent 57.3 percent of the personnel services budget. Additionally, the Museum (excluding the Malonga Casquelourd Center) has consumed nearly four times the amount authorized for Temporary personnel. If overall Personnel Services' spending continues at the same rate, the Museum would exceed its budgeted appropriation by \$0.41 million (or 7.2 percent). Lastly, a major contributor to the estimated over-spending on Personnel Services is lower than anticipated vacancies at the Museum.

Of particular concern is spending on personnel services for the Malonga Casquelourd Center: Due to increased custodial, technical, and security staffing to support the operations of the Oakland School for the Arts, the center has experienced higher than budgeted personnel service expenditures. Preparing newly vacated space by the school for leasing has also contributed to higher than anticipated custodial services. Through the second quarter, Personnel Services spending stood at 69.4 percent. If spending continues at the same rate, the center would exceed the \$0.54 million budget by \$0.14 million, mainly due to over-staffing. The Midcycle Amended Budget authorized 9.53 FTEs; however, on average, the center has employed an equivalent of 10.91 FTEs.

Operations & Maintenance accounted for 22.7 percent of the total spending. The Museum has spent approximately 41.3 percent of the overall O&M budget through the second quarter. The majority of the O&M budget is anticipated to be spent on facility support and land & building rentals. Any under-spending in O&M will go towards offsetting any estimated over-spending in Personnel Services.

Summary of Cost-containment Measures: The first quarter analysis projected a \$0.55 million year-end overspending by the Museum (\$0.12 million of which would occur in the Malonga Center). In response to the Finance Committee's request to take immediate actions to reduce overspending, in mid-February temporary personnel security and custodial services at the Museum and the Malonga Center were reduced, leading to an estimated \$74,000 year-end savings. The impact of these cuts in the Museum includes placing artifacts in the Museum at additional risk and reducing overall customer services, as all security resources will be focused on protecting loaned and traveling objects, per contractual obligations. The Malonga Center will continue to have night-time security and security for special events as needed, and some custodial savings will be realized with the departure of the Oakland School for the Arts. Security has been enhanced at the Malonga center via the installation of electronic keys for street and lobby door access.

If requested to achieve further reductions, the Museum would reduce staff within Curatorial & Exhibition Services, Education Services, Cultural Arts Oversight, and Museum Security and Malonga Center Custodial Divisions. These staff reductions would necessitate layoffs of Local 21 staff, impacting the management of collections and exhibitions work in the History, Art and Natural Sciences galleries. Moreover, the reductions would severely reduce the financial and accounting management for the Museum, Malonga Casquelourd & Henry J. Kaiser Centers. Lastly, the reductions would further impact security and custodial services in the Museum and Malonga Center.

The Public Art and Cultural Funding Programs

The Public Art and Cultural Funding programs have spent \$0.30 million or 36.4 percent of their \$0.83 million Adjusted Budget through the end of December 2004. Given their spending to date and accounting for anticipated changes in future spending patterns, *the programs are projected to spend at their FY 2004-05 Adjusted Budget by year-end.*

NOTE: The Marketing Division has moved from CAM to the City Administrator's Office; therefore, its financials are not included in the figures above.

Parks & Recreation

Since the first quarter, when year-end overspending was projected, the Office Parks and Recreation (OPR) has taken measures to reduce its rate of spending, and at this slowed pace, **the Department is expected to end the year on target with its adopted General Purpose Fund budget.** Among the immediate actions taken to bring spending back into line with budget, OPR has reduced temporary part-time staff, as well as implemented reductions in operations & maintenance spending.

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 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.

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 second-quarter franchise revenue from Comcast has not been recorded yet. However, the year-end revenue is projected to be at \$0.96 million by year-end (i.e., \$0.03 million above the budgeted estimate), due to higher cable franchise receipts.

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 second quarter of FY 2004-05, approximately \$0.55 million, or 46.3 percent, has been obligated or spent. Year-End spending is projected to be at the budget amount of \$1.19 million.

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 has 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 second-quarter revenue from the 3.0 percent contract assessments was \$0.68 million, or 80.9 percent of the budget. Based on staff's estimated future assessments, this revenue is projected to be at \$0.94 million by year-end, or slightly above the budgeted estimate.

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 second quarter of FY 2004-05, approximately \$0.58 million, or 48.1 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.

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.

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 second quarter was \$3.05 million, representing 25.1 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, resulting in an overall under-collection of \$0.05 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 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 \$8.32 million or 51.6 percent of its \$16.14 million Adjusted Budget in the Equipment Fund through the end of December 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 \$0.35 million or 2.17 percent. The projected overspending is mainly due to higher than average gasoline prices, as well as to the anticipated, but unrealized reduction in the number of vehicles in the fleet. 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 14.2 percent of the total adjusted budget. 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 \$3.72 million of the Equipment Fund CIP budget is anticipated to be spent. Projects expected to be undertaken during the 2004-05 fiscal year include:

- The lease-purchase of new street-sweepers and other equipment
- Implementation of the Maximus 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 \$20.21 million, or 73.2 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 \$3.89 million. Additional service charges generated \$0.19 million in income, and negative interest totaled \$0.14 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 \$0.25 million, due to a negative balance in the Facilities Fund. As a result, the overall year-end revenue (excluding carryforwards) is projected to be \$15.73 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, \$0.62 million in project appropriations and non-project encumbrances were carried forward from FY 2003-04 in the Facilities Fund. This \$0.62 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 \$7.98 million or 41.9 percent of its \$19.06 million Adjusted Budget through the end of December 2004. Almost 90 percent of these expenditures were related to the Department of Facilities & Environment, in the Facilities Services and Park & Building Maintenance Divisions. PWA's year-end spending in the Facilities Fund will be below budget by approximately \$1.87 million, primarily due to the high number of vacancies. The Agency is taking action to fill all unfrozen vacancies by the end of February.

There have been no expenditures to-date in the Facilities Fund's **Capital Improvement Program**. Spending on capital projects will account for approximately \$0.28 million of total year-end Facilities Fund spending. The Facilities Fund has three Capital Improvement Projects budgeted, a project to replace the HVAC System in Edgewater-Building 2, a project to implement a maintenance and management system, and a project to make improvements to an underground fuel tank. Both the HVAC and fuel tank projects will be completed in this fiscal year.

Spending in the Facilities Fund is typically higher in the second half of the year, due to an increased workload in preparing parks for the summer season, and 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, excluding capital projects, **the Facilities Fund's FY 2003-04 Adjusted Budget is projected to be underspent by \$1.95 million (10.04 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 December 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, 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 funds presented in this report 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, \$9.74 million overspending is projected for the GPF by year-end, which will be offset by \$16.01 million revenue over-collection.

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 on any year-end overspending by departments within the General Purpose Fund. During the First Quarter Revenue & Expenditure Report, the Finance & Management Committee specifically requested actions to reduce overspending in three departments: OPD, OPR and Cultural Arts (CA)-Museum. In response:

- 1) An OPD overtime audit is being conducted. Upon its conclusion in March-April 2005, the recommended cost-containment measures will be reported to the City Council.
- 2) OPR has substantially reduced their rate of spending since the first quarter, mainly by reducing temporary part-time staff and cutting operations & maintenance spending. As a result, the OPR is projected to end the year at budget, with no cost overruns.
- 3) CA-Museum has also implemented a number of cost-containment measures since the first quarter. Specifically, temporary personnel security and custodial services at the Museum and the Malonga Center were reduced, leading to an estimated \$74,000 year-end savings and reducing the year-end projected shortfall in CA from \$0.44 million to \$0.41 million.

million. Further reductions in CA (mainly the Museum and the Malonga Center) would lead to significant adverse impacts on services and cuts of unionized staff.

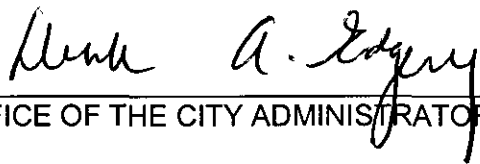
While measures have been put in place to keep spending under control in most City agencies / departments, year-end General Purpose Fund (GPF) overspending is projected for some (although more than fully covered by the additional revenues, even with a healthy surplus in this particular fund). Accordingly, staff is seeking the City Council direction on any actions required by the overspending departments. The Council also may take action on the projected year-end surplus in the GPF.

Respectfully submitted,



Marianna A. Marysheva
Budget Director

APPROVED AND FORWARDED 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 Second Quarter (July 1, 2004 through December 31, 2004)
GENERAL PURPOSE FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
PROPERTY TAX	\$71.64	\$36.90	51.5%	\$70.08	\$68.54	\$89.82	\$45.98	51.2%	\$89.82	\$0.00		24.6%
SALES TAX	37.01	20.12	54.4%	40.49	41.41	41.41	21.89	52.9%	41.87	0.46	Stronger than projected growth helped by United fuel (ends after FY 04-05)	8.8%
VEHICLE LICENSE FEE (VLF) - TAX & BACKFILL	16.18	6.78	41.9%	18.18	24.33	3.05	1.52	49.9%	2.00	(1.05)	Revised, lower VLF estimates reflect State's allocation formula	-77.6%
BUSINESS LICENSE TAX	42.84	2.70	6.3%	44.28	44.66	44.66	2.63	5.9%	44.00	(0.66)	Problems with compliance enforcement could cause shortfall	-2.4%
UTILITY CONSUMPTION TAX	53.55	23.31	43.5%	48.41	48.61	48.61	25.54	52.6%	48.67	0.06	Strong energy revenue helped by cold weather	9.6%
REAL ESTATE TRANSFER TAX	38.00	26.19	68.9%	56.63	47.01	47.01	39.94	85.0%	67.45	20.44	Real estate boom continues	52.5%
TRANSIENT OCCUPANCY TAX	10.26	5.22	50.9%	10.76	9.93	9.93	5.02	50.5%	9.57	(0.36)	Hotel industry still not recovering	-3.9%
PARKING TAX	7.94	4.41	55.5%	8.66	9.52	9.52	4.06	42.6%	8.35	(1.17)	Unexpected loss of airport-related revenue	-8.0%
LICENSES & PERMITS	13.90	6.48	46.6%	14.13	14.65	14.05	7.38	52.5%	14.78	0.73	Construction activity is strong	13.8%
FINES & PENALTIES	26.24	11.41	43.5%	26.06	27.54	27.54	12.74	46.3%	26.84	(0.69)	Shortfall in payment plan collections & various penalty accounts	11.7%
INTEREST INCOME	1.90	0.57	30.0%	1.88	0.00	0.00	0.47	N/A	0.00	0.00	Positive interest earned expected to be offset by negative interest from grant funds (i.e. cost of applying for grants).	-17.0%
SERVICE CHARGES	54.47	19.29	35.4%	40.46	51.72	53.56	18.74	35.0%	54.10	0.54	Public Works Fees are strong	-2.8%
GRANTS & SUBSIDIES	0.11	0.01	6.4%	0.23	0.11	0.12	0.04	28.7%	0.12	0.00		404.7%
MISCELLANEOUS	6.77	3.30	48.7%	6.86	9.11	9.13	1.58	17.3%	9.31	0.17		-52.1%
FUND TRANSFERS	6.30	3.15	50.0%	10.56	6.90	6.90	3.45	50.0%	6.90	0.00		9.5%
SUBTOTAL	\$387.11	\$169.84	43.9%	\$397.68	\$404.04	\$405.31	\$190.98	47.1%	\$423.78	\$18.47		12.4%
CARRYFORWARDS	10.54	10.54	100.0%	10.86	0.00	9.21	6.75	73.3%	6.75	(2.46)	Unspent carryforwards (CIP, PWA, CEDA, Non-Dept)	-36.0%
TOTAL	\$397.65	\$180.38	45.4%	\$408.54	\$404.04	\$414.52	\$197.73	47.7%	\$430.53	\$16.01		9.6%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
GENERAL PURPOSE FUND EXPENDITURES (\$ In millions)

Agency / Department	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
MAYOR	\$1.62	\$0.82	50.7%	\$1.72	\$1.69	\$1.69	0.89	52.8%	1.69	0.00	0.02%		8.5%
CITY COUNCIL	\$2.22	\$0.87	39.3%	2.30	2.46	2.43	1.37	56.1%	2.43	0.00	0.00%		56.7%
CITY ADMINISTRATOR	5.96	2.66	44.6%	5.61	6.29	6.59	2.89	43.8%	6.40	0.19	2.87%	Anticipated salary savings	
CITY CLERK	2.28	0.78	34.1%	1.94	2.09	2.18	0.72	33.1%	2.05	0.13	6.03%	Anticipated salary savings	-7.4%
CITY ATTORNEY	7.31	3.40	46.5%	7.27	7.25	7.31	3.51	48.0%	7.31	0.00	0.00%		3.2%
CITY AUDITOR	0.98	0.54	54.9%	0.95	1.01	1.02	0.54	53.3%	1.01	0.01	1.34%	Anticipated salary and O&M savings	0.9%
FINANCE & MANAGEMENT (FMA)	28.55	13.08	45.8%	27.15	28.25	28.96	13.10	45.2%	28.92	0.05	0.16%	Anticipated salary savings	0.2%
POLICE SERVICES	149.31	73.86	49.5%	180.26	156.46	157.38	80.85	51.4%	170.31	(12.93)	-8.21%	Overspending in salaries, benefits and overtime	9.5%
FIRE SERVICES	87.54	40.61	46.4%	87.53	89.63	90.09	43.59	48.4%	90.09	0.00	0.00%		7.4%
CULTURAL ARTS (CA)	6.56	3.49	53.3%	6.78	6.43	6.57	3.32	50.6%	6.98	(0.41)	-6.26%	Anticipated salary overspending in the Museum, Malonga Center	
LIBRARY SERVICES	10.61	4.97	46.8%	10.67	10.51	10.67	5.11	47.9%	10.66	0.01	0.14%	Anticipated salary savings	2.9%
PARKS & RECREATION	12.90	6.56	50.9%	12.06	11.28	12.22	6.21	50.8%	12.22	0.00	0.00%	OPR has significantly reduced spending in the second quarter. Through continued cost-containment measures, the department will be within budget by year-end.	-5.3%
HUMAN SERVICES	7.09	2.30	32.4%	6.60	6.30	8.16	3.07	37.6%	8.15	0.01	0.16%	Anticipated O&M savings	33.5%
COMM & ECON DEVELOPMENT	22.12	10.31	46.6%	19.15	20.62	22.54	9.87	43.8%	21.34	1.20	5.32%	Substantial savings are expected due to retirements in Building and Planning and under-spending of O&M (primarily in Building Services, but also in Planning, Economic Development and Redevelopment)	-4.2%
PUBLIC WORKS	0.48	0.33	69.2%	0.46	0.92	1.71	0.87	50.9%	1.34	0.37	21.40%	Unspent funds for Leona Quarry and International/MacArthur projects will carryforward to next year.	161.6%
NON-DEPARTMENTAL	51.09	18.54	36.3%	46.07	52.75	53.73	31.20	58.1%	52.53	1.20	2.23%	Savings associated with PSL remarketing for Raiders; higher overhead recoveries	68.3%
SUBTOTAL	396.62	183.11	46.2%	396.54	403.94	413.26	207.12	50.1%	423.42	(10.16)	-2.46%		13.1%
CAPITAL IMPROVEMENT PROGRAM	1.28	0.22	17.4%	0.50	0.02	1.16	0.29	24.8%	0.74	0.42	36.51%	Major appropriation is Permit and Code Enforcement Tracking System (CEDA); will not be fully expended within FY 2004-05. International & Mac Arthur Street project is expected to be bid in February and encumbered by year end. Leona Quarry is a cost covered project in which the City charges the developer for its actual costs; the current appropriation represents an estimate of what the costs will be and therefore, what the developer will reimburse.	29.5%
TOTAL	397.89	183.33	46.1%	397.04	403.96	414.42	207.41	50.0%	424.16	(9.74)	-2.35%		13.1%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
TELECOMMUNICATIONS FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
INTEREST INCOME	0.00	(0.01)	N/A	(0.03)	0.00	0.00	(0.02)	N/A	(0.03)	(0.03)	Interest charges on negative fund balance	19.3%
SERVICE CHARGES	0.85	0.23	26.9%	0.97	0.93	0.93	0.27	28.6%	0.96	0.03	The revenue increase from the 1st qtr is due to higher franchise receipts	16.8%
TOTAL	\$0.85	\$0.21	25.2%	\$0.94	\$0.93	\$0.93	\$0.25	26.7%	\$0.93	(\$0.00)		16.6%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
TELECOMMUNICATIONS FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
CITY ADMINISTRATOR													
Marketing & Special Events	1.06	0.46	42.8%	1.01	1.09	1.09	0.50	45.5%	1.09	0.00	0.00%	The decline in surplus from the 1st qtr is due to anticipated hiring of temps.	8.8%
Subtotal CAO	1.06	0.46	42.8%	1.01	1.09	1.09	0.50	45.5%	1.09	0.00	0.00%		8.8%
LIBRARY SERVICES	0.05	0.02	39.6%	0.05	0.05	0.05	0.02	40.4%	0.05	0.00	0.00%		7.0%
SUBTOTAL	1.11	0.47	42.6%	1.06	1.14	1.14	0.51	45.3%	1.14	0.00	0.00%		8.7%
NON-DEPARTMENTAL	0.00	0.00	N/A	0.00	0.05	0.05	0.03	69.5%	0.05	0.00	0.00%		N/A
TOTAL	1.11	0.47	42.6%	1.06	1.19	1.19	0.55	46.3%	1.19	0.00	0.00%		16.1%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
CONTRACT COMPLIANCE FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
INTEREST INCOME	0.00	(0.05)	N/A	(0.10)	0.00	0.00	(0.06)	N/A	(0.10)	(0.10)	Interest charges on negative fund balance	25.9%
SERVICE CHARGES	0.60	0.68	114.0%	0.98	0.84	0.84	0.68	80.9%	0.94	0.10	The revenue amount is consistent with prior year amounts and a result of greater activity by Contract Compliance Administration.	-0.1%
TOTAL	\$0.60	\$0.63	106.1%	\$0.88	\$0.84	\$0.84	\$0.62	73.7%	\$0.84	(\$0.00)		-2.0%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
CONTRACT COMPLIANCE FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
CITY ADMINISTRATOR													
Citywide Support	0.93	0.37	40.0%	0.85	0.97	0.97	0.46	47.7%	0.97	0.00	0.00%		25.4%
Subtotal CAO	0.93	0.37	40.0%	0.85	0.97	0.97	0.46	47.7%	0.97	0.00	0.00%		25.4%
CITY ATTORNEY	0.21	0.11	53.1%	0.21	0.23	0.23	0.11	50.0%	0.23	0.00	0.00%		1.5%
TOTAL	1.14	0.48	42.4%	1.05	1.20	1.20	0.58	48.1%	1.20	0.00	0.00%		19.9%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
EQUIPMENT FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
FINES & PENALTIES	0.09	0.05	55.6%	0.10	0.09	0.09	0.01	10.6%	0.09	0.00		-81.0%
INTEREST INCOME	0.00	0.00	N/A	0.05	0.00	0.00	0.00	N/A	0.00	0.00		#DIV/0!
INTERNAL SERVICE	11.75	5.91	50.3%	11.82	11.75	11.75	2.95	25.1%	11.82	0.07		N/A
MISCELLANEOUS	0.32	0.09	28.1%	0.16	0.32	0.32	0.10	29.7%	0.20	(0.12)	Revenue below budget b/c Equipment Services no longer repairs other cities' motorcycles	5.6%
SUBTOTAL	\$12.16	\$6.05	49.8%	\$12.13	\$12.16	\$12.16	\$3.05	25.1%	\$12.11	(\$0.05)		-49.5%
CARRYFORWARDS	5.48	1.29	23.5%	1.29	0.00	11.67	1.63	14.0%	3.72	(7.95)	CF to be spent on Maximus computer management system; vehicle purchases, MSC fuel pumps. Other CF will roll to future year	26.6%
TOTAL	\$17.64	\$7.34	41.6%	\$13.42	\$12.16	\$23.83	\$4.68	19.7%	\$15.83	(\$8.00)		-36.2%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
EQUIPMENT FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
PUBLIC WORKS	18.22	8.34	45.8%	17.30	15.95	16.14	8.32	51.6%	16.49	(0.35)	-2.17%	Overspending on fuel and other O&M cannot be offset by savings in personnel	-0.2%
CAPITAL IMPROVEMENT PROGRAM	3.21	0.07	2.2%	0.19	0.00	11.48	1.63	14.2%	3.72	7.76	67.60%	Maximus computer management system; fuel pump repair, vehicle purchases to be completed this year. Other CF will roll forward to future year.	2224.9%
TOTAL	21.43	8.41	39.2%	17.49	15.95	27.62	9.95	36.0%	20.21	7.41	26.83%		18.3%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
FACILITIES FUND REVENUES (\$ in millions)

Revenue Category	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
INTEREST INCOME	0.00	0.00	#DIV/0!	(0.22)	0.00	0.00	(0.14)	N/A	(0.25)	(0.25)	Interest on negative fund balance	#DIV/0!
SERVICE CHARGES	0.36	0.20	55.6%	0.45	0.47	0.47	0.19	39.7%	0.47	0.00		-7.5%
INTERNAL SERVICE	14.63	7.54	51.5%	15.07	15.51	15.51	3.89	25.1%	15.51	0.00		-48.5%
SUBTOTAL	\$14.99	\$7.74	51.6%	\$15.30	\$15.97	\$15.97	\$3.93	24.6%	\$15.73	(\$0.24)		-49.2%
CARRYFORWARDS	0.91	0.70	76.9%	0.70	0.00	0.62	0.00	0.0%	0.28	(0.34)	HVAC and fuel tank projects will be completed this year; other projects will roll forward to next year.	-100.0%
TOTAL	\$15.90	\$8.44	53.1%	\$16.00	\$15.97	\$16.59	\$3.93	23.7%	\$16.01	(\$0.58)		-53.4%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 2004)
FACILITIES FUND EXPENDITURES (\$ in millions)

Agency / Department	FY 2003-04 2nd Qtr Adjusted Budget	FY 2003-04 2nd Qtr Actuals	FY 2003-04 Percent To Date	FY 2003-04 Year-End Actuals	FY 2004-05 Adopted Budget	FY 2004-05 2nd Qtr Adjusted Budget	FY 2004-05 2nd 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 Q2 to Q2
PUBLIC WORKS	18.43	8.27	44.9%	17.83	18.80	19.06	7.98	41.9%	17.18	1.87	9.83%	Underspending in personnel due to vacancies	-3.5%
CAPITAL IMPROVEMENT PROGRAM	0.30	0.03	10.0%	0.03	0.00	0.36	0.00	0.0%	0.28	0.08	21.22%	HVAC and fuel tank project will be completed this year; all other projects will carryforward to next FY	N/A
TOTAL	18.73	8.30	44.3%	17.86	18.80	19.41	7.98	41.1%	17.46	1.95	10.04%		-3.9%

FY 2004-05 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2004 through December 31, 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 2nd Qtr Adjusted Overtime Budget	FY 2004-05 2nd 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	508	6.0%	508	7,954	94.00%	OT spending incurred to finalize work prior to employee transfer to PWA.
CITY COUNCIL	0	0	0	0	N/A	0	0	N/A	
CITY ADMINISTRATOR	1,433	0	0	4,667	N/A	4,667	(4,667)	N/A	OT Spending is associated with ADA, Film and Accounting activities, and will be covered by salary/vacancy savings
CITY CLERK	26,252	0	0	10,161	N/A	30,483	(30,483)	N/A	OT Spending is associated with agenda management and will be covered by salary/vacancy savings
CITY ATTORNEY	6,970	0	0	4,561	N/A	9,122	(9,122)	N/A	OT spent for trial and court preparation, will be covered by salary savings.
CITY AUDITOR	259	0	0	0	N/A	0	0	N/A	
FINANCE & MANAGEMENT (FMA)	501,312	211,766	211,766	216,036	102.0%	432,072	(220,306)	-104.03%	OT Spending will be covered by salary/vacancy savings and is due to Parking Citation, year-end closing process, Help Desk, Recruitment and Payroll operations, and will be offset with O&M savings.
POLICE SERVICES	12,430,046	11,562,910	11,231,905	9,220,020	82.1%	18,383,726	(7,151,821)	-63.67%	Backfill, special enforcement and sideshows overtime.
FIRE SERVICES	7,252,729	3,091,598	3,091,598	4,561,347	148.2%	7,898,452	(4,806,854)	-155.48%	Overtime expenditure is high due to the vacancies. Overspending in overtime will be covered by savings from regular salary budget.
CULTURAL ARTS	28,074	0	0	0	N/A	0	0	N/A	
LIBRARY SERVICES	6,735	9,382	9,382	2,236	23.8%	4,472	4,910	52.33%	Overtime incurred to provide extended library hours and additional budget preparation effort.
PARKS & RECREATION	40,324	0	0	17,751	N/A	18,800	(18,800)	N/A	Overtime, due to summertime-only after-hours programming such as the Sea Oddesey program, will be covered by other savings.
HUMAN SERVICES	8,882	542	542	9,998	1844.6%	19,996	(19,454)	-3589.30%	Overtime is due to drawdown report preparation and budget preparation effort and will be covered by O&M savings.
COMM & ECON DEVELOPMENT	445,917	288,075	288,075	216,459	75.1%	426,359	(138,284)	-48.00%	Overtime is attributed to vacancies in Planning and Building that are being backfilled and overages will be covered by salary savings.
PUBLIC WORKS	817	0	0	9,158	N/A	15,000	(15,000)	N/A	Overtime primarily attributable to the Leona Quarry project will be covered by salary savings.
TOTAL	20,749,750	15,172,735	14,841,730	14,292,901	96.3%	27,243,657	(12,401,927)	-83.56%	

Agency / Department	FY 2003-04 Year-End Overtime Spending	FY 2004-05 Adopted Overtime Budget	FY 2004-05 2nd Qtr Adjusted Overtime Budget	FY 2004-05 2nd 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
B. ALL FUNDS									
MAYOR	0	8,462	8,462	508	6.0%	508	7,954	94.00%	OT spending incurred to finalize work prior to employee transfer to PWA.
CITY COUNCIL	0	0	0	0	N/A	0	0	N/A	
CITY ADMINISTRATOR	9,550	0	0	13,634	N/A	13,634	(13,634)	N/A	OT Spending is associated with ADA-reporting, Firm, Accounting, KTOP-Stage, Contract Compliance and Marketing activities, and will be covered by salary/vacancy savings
CITY CLERK	26,252	0	0	10,161	N/A	30,483	(30,483)	N/A	OT Spending is associated with agenda management and will be covered by salary/vacancy savings
CITY ATTORNEY	6,970	0	0	4,561	N/A	9,122	(9,122)	N/A	OT spent for trial and court preparation and will be covered by salary savings.
CITY AUDITOR	259	0	0	0	N/A	0	0	N/A	
FINANCE & MANAGEMENT	538,581	226,344	226,344	240,047	106.1%	480,094	(253,750)	-112.11%	OT Spending will be covered by salary/vacancy savings and is due to Parking Citation, year-end closing process, Help Desk, Recruitment and Payroll operations; and, will be offset with O&M savings
POLICE SERVICES	14,383,933	11,904,929	12,235,949	9,468,883	77.4%	19,387,771	(7,151,821)	-58.45%	Backfill, special enforcement and sideshows overtime.
FIRE SERVICES	7,662,560	3,295,274	5,624,700	5,200,952	92.5%	10,431,554	(4,806,854)	-85.46%	Overtime expenditure is high due to the vacancies. Overspending in overtime will be covered by savings from regular salary budget.
CULTURAL ARTS & MARKETING	46,388	43,000	43,000	25,765	59.9%	51,529	(8,529)	-19.83%	Overtime on Malonga Casquelourd Center and Museum Security Services.
LIBRARY SERVICES	20,208	9,382	9,382	10,962	116.8%	21,924	(12,542)	-133.68%	Overtime incurred to provide extended library hours and additional budget preparation effort and will be covered by salary savings.
PARKS & RECREATION	231,996	0	0	18,800	N/A	18,800	(18,800)	N/A	Overtime due to summertime-only after-hours programming such as the Sea Odyssey program will be covered by other savings
HUMAN SERVICES	37,008	542	542	19,929	3676.9%	19,929	(19,387)	-3576.94%	Overtime chiefly incurred by Hunger & Homeless to meet reporting requirements and preparation for audit.
COMM & ECON DEVELOPMENT	507,315	288,075	288,075	269,849	93.7%	531,521	(243,446)	-84.51%	Overtime is attributed to vacancies that are being backfilled and overages will be covered by salary savings. CEDA is in the process of correcting mischarges to funds without appropriations.
PUBLIC WORKS	1,774,344	480,365	705,709	1,046,191	148.2%	1,800,000	(1,094,291)	-155.06%	Overtime primarily in Infrastructure and Facilities & Environment Divisions, Fund 3100 (Sewer Service), 2230 (Gas Tax), and 2310 (LLAD). OT expenditures in all except LLAD Fund are covered by salary/vacancy savings.
TOTAL	25,245,365	16,256,373	19,142,163	16,330,240	85.3%	32,796,868	(13,654,705)	-71.33%	

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

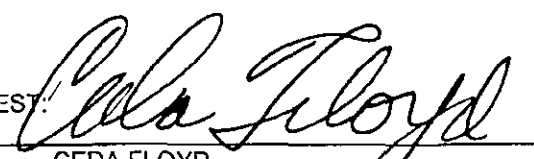
RESOLVED: that the City Council may direct the City Administrator to reduce the rate of spending in particular City agencies / departments to minimize or avoid year-end overspending; the City Council may request specific cost-cutting measures or leave it to the City Administrator's discretion; and be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