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OAKLAND
2009 FEB 11 PM 4:13

CITY OF OAKLAND

AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Budget Office
DATE: February 24, 2009

RE: **Report on FY 2008-09 Second Quarter Revenue and Expenditure Results and Year-End Projections For Four Selected Funds - General Purpose Fund (1010), Landscape & Lighting Assessment District Fund (2310), Equipment Fund (4100) and Facilities Fund (4400); Overtime Analysis for the General Purpose Fund (1010) and All Funds; And the Status of Implementing the October 2008 Budget Revisions**

SUMMARY

This report provides a summary of the City's financial activity through the end of the second quarter of the fiscal year (December 31, 2008) and year-end projected revenues and expenditures for four selected funds. Staff is currently finalizing details of the year-end projections and balancing measures. A supplemental report will be prepared to include:

1. Details regarding specific revenue categories and departmental expenditures for the General Purpose Fund (GPF) and the other three selected funds, as well as the overtime analysis.
2. Balancing measures to address the projected GPF shortfall identified below.
3. Detailed status update regarding budget reduction actions adopted by the City Council per Resolution No. 81630, C.M.S. on October 21, 2008 for FY 2008-09.

In the General Purpose Fund (1010), a **deficit of \$8.22 million is projected by year end**. This is comprised of \$0.75 million shortfall in revenue collections and \$7.47 million projected over spending in expenditures. Details of a balancing plan are being finalized to address this projected shortfall. Balancing measures include a selective deferral of project spending and reductions in the Police Services Agency.

In the Lighting and Landscape Assessment District (LLAD) Fund (2310), a \$0.58 million negative fund balance was anticipated in October 2008 budget revisions, after weekly shutdown savings were replaced with lower, monthly shutdown savings. At this time, with the one-time revenue anticipated from the sale of the Telegraph Plaza garage, **the LLAD Fund is projected to be balanced by the end of the fiscal year**. Operating revenue is expected to total \$22.74 million and expenditures are expected to end the year at \$17.9 million.

In the Equipment Fund (4100), a **\$0.25 million decrease to the negative fund balance** is projected by year-end as a result of actions put in place to minimize the year-end overspending due to the increased demand for equipment parts, including broadening the vendor base by executing a new equipment parts and supplies contract beginning February 2009.

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In the Facilities Fund (4400), a \$5.43 million negative fund balance is projected by year-end, which is a slight increase from the \$5.24 million shortfall reflected in the adjusted budget. From first quarter to second quarter projections, **the negative fund balance projection has decreased by \$0.58 million**, due to implementation of mitigation efforts placed by Public Work Agency (PWA). These actions include: 1) Compliance with the mandated 10 percent reduction in water usage and 30 percent reduction in irrigation during summer months; 2) Modernization of the elevators at both City Hall and the Police Administration Building expected to save in maintenance and repair costs, along with 48 percent reduction in electricity usage for those elevators; 3) Energy efficient pool covers to reduce gas usage; and 4) Water conservation efforts (e.g., less hot water usage). To offset the additional \$0.12 million in increased negative cash balance, PWA will continue to step up its efforts to reduce its utility costs, including water, gas and electricity; and be more aggressive in charging other funds for special work orders.

Overtime overspending by the end of FY 2008-09 (at the all funds level) is projected for many departments: minor for some, but significant for others. This projection assumes savings in the remaining two quarters due to the overtime directive from the Mayor, effective October 16, 2008, to limit overtime to mandatory / essential overtime (for emergency, legally mandated duties, public health or safety issues, reimbursable overtime, etc.). **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. Police overtime spending will be reduced by at least 25 percent in the remaining few months.

A high level summary of the status of implementing the October budget revisions is provided in Attachment A. A similar chart was presented at the January 12, 2009 Special Budget Workshop. A supplemental report will provide more details regarding the status of implementing each budget balancing measure approved by City Council on October 21, 2008.

The summary table on the following page reflects the Second Quarter financial results for the four selected funds.

FY 2008-09 REVENUE AND EXPENDITURE ANALYSIS
Through Second Quarter (July 1, 2008 - December 31, 2008)
 Summary (\$ in millions)

GENERAL PURPOSE FUND (1010)

	FY 2008-09 Oct Adjusted Budget	FY 2008-09 Q2 Adjusted Budget	FY 2008-09 Projected Over / (Under)	FY 2008-09 Year-End Estimate
Beginning Fund Balance** - July 1, 2008	10.16	10.16		10.16
Revenues	464.99	480.22	(0.75)	479.47
Expenditures	464.80	480.21	7.47	487.68
Variance	0.19	0.01	(8.22)	(8.21)
Projected Ending Fund Balance - June 30, 2009	10.35	10.17		1.95

LANDSCAPE & LIGHTING ASSESSMENT DISTRICT FUND (2310)

	FY 2008-09 Oct Adjusted Budget	FY 2008-09 Q2 Adjusted Budget	FY 2008-09 Projected Over / (Under)	FY 2008-09 Year-End Estimate
Beginning Fund Balance** - July 1, 2008	(4.84)	(4.84)		(4.84)
Revenues	22.92	22.92	(0.18)	22.74
Expenditures	18.66	18.66	(0.76)	17.90
Variance	4.26	4.26	0.58	4.84
Projected Ending Fund Balance - June 30, 2009	(0.58)	(0.58)		0.00

EQUIPMENT FUND (4100)

	FY 2008-09 Oct Adjusted Budget	FY 2008-09 Q2 Adjusted Budget	FY 2008-09 Projected Over / (Under)	FY 2008-09 Year-End Estimate
Beginning Cash Balance** - July 1, 2008	(20.18)	(20.18)		(20.18)
Revenues	16.36	16.36	0.57	16.93
Expenditures	15.94	15.94	0.32	16.26
Variance	0.42	0.42	0.25	0.67
Projected Ending Cash Balance - June 30, 2009	(19.76)	(19.76)		(19.51)

FACILITIES FUND (4400)

	FY 2008-09 Oct Adjusted Budget	FY 2008-09 Q2 Adjusted Budget	FY 2008-09 Projected Over / (Under)	FY 2008-09 Year-End Estimate
Beginning Cash Balance** - July 1, 2008	(26.40)	(26.40)		(26.40)
Revenues	18.34	18.34	(0.55)	17.79
Expenditures	23.58	23.58	(0.36)	23.22
Variance	(5.24)	(5.24)	(0.19)	(5.43)
Projected Ending Cash Balance - June 30, 2009	(31.64)	(31.64)		(31.83)

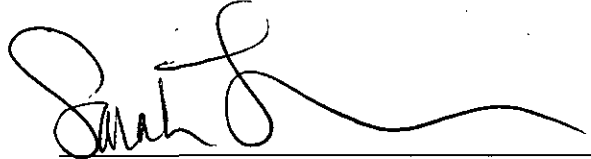
** Net of prior year encumbrances and project carryforwards

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ACTION REQUESTED OF THE CITY COUNCIL

Accept this informational report.

Respectfully submitted,

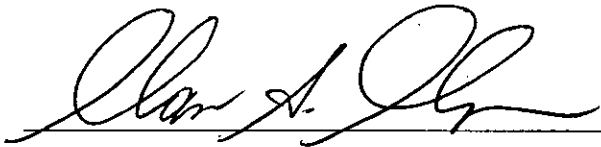


SARAH T. SCHLENK
Budget Director

Prepared by:

Kiran Bawa
Budget Office

APPROVED FOR FORWARDING TO THE
FINANCE & MANAGEMENT COMMITTEE



Office of the City Administrator

Attachment A: Status of Implementing October 2008 Budget Changes

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STATUS OF IMPLEMENTING OCTOBER BUDGET CHANGES
Fund 1010 (General Purpose Fund)

FY 2008-09 MID-YEAR SHORTFALL (\$37.45)

BALANCING MEASURES

(A) REVENUES \$13.45

Item	Additional Revenue - FY 08-09	Status of Implementation
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New revenues

Capital trust transfer (upon termination of agreement): **ONE-TIME** \$9.50 Staff is currently working to implement refinancing

Rate increases

Increase **user fees and charges** to ensure that they fully cover costs

Increase Parking meter rates \$0.95 Implemented

Increase **finest and penalties**

Parking Citation rate increases \$0.98 Implemented

Street sweeping citation increases \$0.64 Implemented

Other revenue increases

Increased Accts Receivable collections \$0.36 In progress

Increased Recoveries by Treasury Division for various svcs like debt issues and ORA investment activities \$0.31 In progress

Increased transfer from the Development Services Fund to account for unpaid interest since July 1, 2006 \$0.35 In progress

On-going Transfer of 50% of Golf Course Concession Revenues \$0.10 In progress

One-time revenue from health benefit savings from OPD arbitrator. \$0.26 In progress

(B) EXPENDITURES - Dept'l (\$15.57) (146.37)

Item	Savings - FY 08-09	FTEs Eliminated / Transferred	Status of Implementation
CIP	(\$0.90)	0.00	Implemented
MAYOR	(\$0.20)	(3.00)	In progress
CITY ADMINISTRATOR	(\$1.73)	(8.00)	Implemented; except \$430,000 in progress
CITY CLERK	(\$0.09)	(0.50)	Implemented
CONTRACTING & PURCHASING	(\$0.34)	(4.00)	Implemented
INFORMATION TECHNOLOGY	(\$1.24)	(11.75)	Implemented; except Project Manager positions
FINANCE & MANAGEMENT	(\$1.89)	(18.80)	Implemented
POLICE SERVICES	(\$3.75)	(48.13)	Implemented
FIRE SERVICES	(\$1.50)	(10.50)	Implemented
MUSEUM (OMCA)	(\$0.16)	(2.50)	Implemented; except Registrar position
LIBRARY	(\$1.08)	(13.55)	Implemented
PARKS & RECREATION	(\$1.13)	(13.28)	Implemented
HUMAN SERVICES	(\$0.59)	(0.27)	Implemented
PUBLIC WORKS	(\$0.39)	(7.40)	Implemented; except Project Manager position
COMMUNITY & ECONOMIC DEVELOPMENT	(\$0.14)	(0.69)	Implemented
CITY ATTORNEY	(\$0.45)	(4.00)	Implemented

(C) EXPENDITURES - Citywide (\$8.61)**Freeze non-essential vacancies**

Freeze of all GPF vacancies for the remainder of the year, with the exception of Police and Fire sworn, Library and OPR.	(0.50)	Implemented
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Management concessions

Freeze auto allowances for all department directors	(0.04)	Implemented
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Reductions in non-personnel expenses

Reduce funding for Training & Community Development	(0.13)	Implemented
Reduce funding for Marketing & Special Events	(0.05)	Implemented
Reduce funding for Parades, Street Festivals, Etc.	(0.04)	Implemented
Reduce Overtime	(0.18)	Implemented
Suspend OCVB support effective Jan 1	(0.33)	Implemented
Eliminate salary contingency in Non-Dept	(0.73)	Implemented
Reduce insurance & Bonding	(0.20)	Implemented

Item	Savings - FY 08-09	FTEs Eliminated / Transferred	Status of Implementation
Reduce Food, Flowers, Hospitality	(0.10)		Implemented
Increase attrition rate back to 5%	(1.11)		Implemented
Reduce Public Campaign Financing (CF)	(0.23)		Implemented
Reduce Booking Fees amount	(0.30)		Implemented
Adjustment for actual COLA savings	(0.22)		Implemented
<i>Reductions in subsidies/assistance</i>			
Reduce subsidy to the Comprehensive Clean-Up Fund	(0.50)		In progress
<i>Citywide shutdown</i>			
(1) CITYWIDE SHUTDOWN: Close non-essential City facilities 13 Days	(3.97)		In progress