

**CITY OF OAKLAND
COUNCIL AGENDA REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 FEB 26 PM 2: 28

TO: Office of the City Manager
ATTN: Deborah Edgerly
FROM: Budget Office
DATE: March 9, 2004
RE: Fiscal Year 2003-04 Second Quarter Revenue & Expenditure Report

SUMMARY

The Fiscal-Year 2003-04 Second Quarter Revenue & Expenditure (R&E) Report summarizes revenues and expenditures for the City's selected funds for the six-month period of July 1, 2003 through December 31, 2003. It also projects year-end revenues and expenditures for these funds, and highlights significant trends. Please note that in an attempt to continuously improve the usefulness of the revenue and expenditure reports, staff has added four more funds to the quarterly analyses (which, until now, have focused specifically on the General Purpose Fund, or fund #1010). The new funds include:

- Fund 1760 – Telecommunications Reserve / Cable Franchise Fund
- Fund 1790 – Contract Compliance Fund
- Fund 4100 – Equipment Fund
- Fund 4400 – Facilities Fund

The summary tables on the following page reflect the comparison of year-end projected revenues and expenditures in the five funds analyzed in this quarterly report, based on financial results through December 31, 2003.

In the General Purpose Fund, revenues received during the second quarter reflect a 45.4 percent collection against the FY 2003-04 budget estimate, while spending is at 48.6 percent of the FY 2003-04 budget. A slight surplus is projected in this fund by year-end, in line with the FY 2003-04 Adopted Budget.

In the Telecommunications Reserve / Cable Franchise Fund, revenues received during the second quarter reflect a 55.6 percent collection, while spending is at 45.9 percent. A \$0.07 million borrowing from the fund balance is projected by year-end – a decrease from the \$0.25 million authorized in the FY 2003-04 Adopted Budget.

In the Contract Compliance Fund, revenues received during the second quarter reflect a 113.0 percent collection, while spending is at 45.4 percent. A \$0.29 million borrowing from the fund balance is projected by year-end – a decrease from the \$0.52 million authorized in the FY 2003-04 Adopted Budget.

In the Equipment Fund, revenues received during the second quarter reflect a 35.8 percent collection, while spending is at 39.2 percent. A \$3.87 million borrowing from the fund balance is projected by year-end, similar to the \$3.80 million authorized in the FY 2003-04 Adopted Budget.

In the Facilities Fund, revenues received during the second quarter reflect a 54.4 percent collection, while spending is at 47.0 percent. A \$2.13 million borrowing from the fund balance is projected by year-end – a decrease from the \$3.07 million authorized in the FY 2003-04 Adopted Budget.

Finance and Management

March 9, 2004

Item # 8

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)
SUMMARY (\$ in millions)

A. GENERAL PURPOSE FUND (#1010)

| | FY 2003-04 Adopted Budget | FY 2003-04 2nd Quarter Adjusted Budget | 2nd Quarter Actuals | Percent To Date | FY 2003-04 Year-End Estimate |
|--------------|---------------------------------|--|------------------------|--------------------|------------------------------------|
| Revenues | \$387.11 | \$397.97 | \$180.70 | 45.4% | \$408.16 |
| Expenditures | \$387.04 | \$397.90 | \$193.37 | 48.6% | \$408.11 |
| Variance | \$0.07 | \$0.07 | | | \$0.05 |

B. TELECOMMUNICATIONS FUND (#1760)

| | FY 2003-04 Adopted Budget | FY 2003-04 2nd Quarter Adjusted Budget | 2nd Quarter Actuals | Percent To Date | FY 2003-04 Year-End Estimate |
|--------------|---------------------------------|--|------------------------|--------------------|------------------------------------|
| Revenues | \$0.83 | \$0.88 | \$0.49 | 55.7% | \$0.97 |
| Expenditures | \$1.08 | \$1.11 | \$0.51 | 45.9% | \$1.04 |
| Variance | (\$0.25) | (\$0.23) | | | (\$0.07) |

C. CONTRACT COMPLIANCE FUND (#1790)

| | FY 2003-04 Adopted Budget | FY 2003-04 2nd Quarter Adjusted Budget | 2nd Quarter Actuals | Percent To Date | FY 2003-04 Year-End Estimate |
|--------------|---------------------------------|--|------------------------|--------------------|------------------------------------|
| Revenues | \$0.60 | \$0.62 | \$0.70 | 113.0% | \$0.75 |
| Expenditures | \$1.12 | \$1.14 | \$0.52 | 45.4% | \$1.04 |
| Variance | (\$0.52) | (\$0.52) | | | (\$0.29) |

D. EQUIPMENT FUND (#4100)

| | FY 2003-04 Adopted Budget | FY 2003-04 2nd Quarter Adjusted Budget | 2nd Quarter Actuals | Percent To Date | FY 2003-04 Year-End Estimate |
|--------------|---------------------------------|--|------------------------|--------------------|------------------------------------|
| Revenues | \$12.16 | \$17.64 | \$6.31 | 35.8% | \$12.92 |
| Expenditures | \$15.96 | \$21.44 | \$8.41 | 39.2% | \$16.79 |
| Variance | (\$3.80) | (\$3.80) | | | (\$3.87) |

E. FACILITIES FUND (#4400)

| | FY 2003-04 Adopted Budget | FY 2003-04 2nd Quarter Adjusted Budget | 2nd Quarter Actuals | Percent To Date | FY 2003-04 Year-End Estimate |
|--------------|---------------------------------|--|------------------------|--------------------|------------------------------------|
| Revenues | \$14.99 | \$15.91 | \$8.66 | 54.4% | \$15.91 |
| Expenditures | \$18.06 | \$18.98 | \$8.91 | 47.0% | \$18.04 |
| Variance | (\$3.07) | (\$3.07) | | | (\$2.13) |

This report continues the recently started tradition to include the detailed *overtime spending* analysis. The details by agency / department, for the General Purpose Fund and all funds, are provided in *Attachment F*. The discussion of major overtime spending, such as for Police, Fire and CEDA, is provided in the corresponding agency / department's section of the report.

FISCAL IMPACT

This report is for informational purposes and requires no Council action at this time. However, the extent to which individual agencies and department do not meet their FY 2003-04 budget appropriations, or the anticipated year-end revenue collection deviates from the FY 2003-04 budget, will impact the availability of resources available through the end of this fiscal year, and may require Council action. Staff will continue monitoring City's revenue collection and spending, and return to the Council with recommendations for corrective actions, if necessary.

DISCUSSION

Since four more funds have been added to the quarterly Revenue and Expenditure (R&E) analyses, the report is now organized by fund, starting with the General Purpose Fund (#1010) and ending with the Facilities Fund (#4400). In each section, staff has included 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. For the four new funds (i.e. 1760, 1790, 4100 and 4400), background information on both the revenues and expenditures is provided.

In addition to the items influencing budgets of various agencies / departments and/or funds, as discussed in individual fund sections, a number of factors impact the FY 2003-04 budget Citywide, as follows:

Business Shutdown and Additional Retirement Contribution. While the FY 2003-05 Adopted Budget incorporates savings from a Citywide, 12-day "Business Shutdown" involving civilian employees**, agreements with Local 21, Local 790, IBEW, Attorney V & Special Counsel, and unrepresented employees have since been revised to replace the business shutdown with the additional 3.0 percent contribution towards City's retirement costs by the civilian employees. The resulting changes are as follows:

- Additional 3.0 percent Retirement Contribution. The Second Quarter R&E analysis assumes that all non-sworn, non-Local 790 employees (i.e. Local 21, IBEW, Attorney V & Special Counsel, and unrepresented) will contribute an additional 3.0 percent towards their retirement during the entire FY 2003-04. This has been implemented through automatic deductions retroactive to July 1, 2003. Local 790 employees are assumed to begin their additional 3.0 contribution in January 2004 (see below).
- Business Shutdown Savings. The revised labor agreement with Local 790 (for FY 2003-04) holds that: i) savings from the first four business shutdown days (i.e. Aug 19, Sept 2, Nov 10 and Nov 26) would be kept by the City, and ii) Local 790 members will contribute an additional 3.0 percent of their salary towards City's increased retirement costs, for the six months beginning Jan 3, 2004.

** City's sworn employees are exempted from both the business shutdown and the additional retirement contribution, since different agreements have been reached with their unions.

The year-end expected savings due to the business shutdown / 3.0 percent retirement (combined total) by agency / department are reflected in the "FY 2003-04 Combined Local 790, Local 21 and Unrep Savings" column on each expenditure summary table, in attachments B-1 through B-5.

Vacancy Factor. In the FY 2003-05 budget, a 4.0 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 4.0 percent of all positions are vacant at any given point during the fiscal year; in the past, the actual vacancy factor was close to 10.0 percent Citywide. All sworn positions are exempted from the vacancy discount, and so are the select positions in offices with historically low vacancies or high backfill rates (such as the Mayor, City Council, City Auditor, etc.)

The discussion of the individual funds included in this R&E analysis is presented starting on page 6, following an overview of the economy and current political and legal issues below.

GENERAL ECONOMIC OVERVIEW

There is no longer any doubt that the U.S. economy is on an upward trend. Equity markets continue to rally, unemployment insurance claims are falling, gross domestic product grew at a blistering 8.2 percent rate in the 3rd quarter of 2003, and is expected to end 2003 in the 4.0 percent annualized range. A recent consumer confidence survey reports its highest reading since November 2000. Financial analysts have abandoned all talk of deflation, and are warning instead of the inflationary pressure being brought to bear by the combination of economic growth, a weak dollar, and burgeoning federal budget deficits.

The employment picture is less cheery, but the conventional wisdom is that employment tends to lag other factors in the early phase of a recovery. National unemployment did fall slightly to 5.7 percent in December, although the fall is attributed more to fewer job seekers than to more jobs. Oakland's November unemployment figure was 5.6 percent, down from 5.9 percent in October.

In housing, although sales of homes in Oakland dipped in October compared to a year before (see table on p. 11), FY 2003-04 year-to-date home sales are still up 21 percent from FY 2002-03. Home prices have generally fallen compared to the prior year. Refinancing of homes continues to boom, fueled by record low interest rates. Building permit activity continued at budgeted targets through the second quarter, reflecting a scant 0.9 percent increase from FY 2002-03.

CURRENT POLITICAL/LLEGAL ISSUES

Several political and legal issues may impact the City's financial status in FY 2003-04 and beyond. Here is an issue-by-issue status report:

Proposition 57. Governor Schwarzenegger has placed a \$15 billion bond measure (Prop 57) on the March ballot. Prop 57 would consolidate the State's existing short-term debt and is also intended as a substitute for two bond measures previously put forward by Governor Davis to balance the State's FY 2003-04 budget (discussed below). If Prop 57 does not pass, the State would still have two other borrowing options: in the short term it could roll over existing debt; in the long term, it could hope the Davis-proposed measures survive legal challenges. Beyond these borrowing options, the State would seem to be limited to some combination of raising

taxes and reducing spending, both of which would probably have a negative impact on Oakland's finances.

Other State Borrowing. The State's adopted FY 2003-04 budget included two bond measures integral to balancing revenues and expenditures. The first, for \$2 billion, was for the purpose of making payments to a State employee pension fund; the second, for \$10.7 billion, was part of a complicated solution to the State's operating budget deficit (known as the "Triple Flip").

If Prop 57 were rejected in March, the State would most likely try to fall back on either or both of the two Davis bond issues. However, both measures combined involve less borrowing – and bigger annual repayments – than Schwarzenegger's Prop 57 bond. Hence, even if both measures were deemed legal, the State would still have to come up with additional balancing measures for FY 2004-05, and possibly even for FY 2003-04.

Opponents of the Davis bond issues argue that the State Constitution requires State debt greater than \$300,000 that will be used to pay "routine expenses" to be submitted for voter approval. A Sacramento County Superior Court judge has ruled against the State in litigation involving the \$2 billion bond, and the State has appealed. No preliminary rulings have been issued regarding the \$10.7 billion bond.

Proposition 13 Litigation. Proposition 13's most significant long-term effect was to set a two percent maximum annual increase on a property's assessed value, if the property has not changed ownership. Recently, an Orange County resident filed suit after watching his property valuation remain flat one year, then increase by four percent the next year. This 'recapturing' of otherwise lost property tax revenue is apparently a widespread practice by assessors throughout the State, including Alameda County. An Orange County Superior Court judge has ruled in the plaintiff's favor, but the ruling is under appeal. State Department of Finance officials estimated the cost of losing the case at \$10 billion statewide, with \$4.7 billion coming from counties and cities, and \$5.3 billion from the State (reimbursing schools for their lost revenue).

Arguments were made before an appeals court in early January and a decision is expected by March. That decision could itself be appealed to the State Supreme Court.

Internet Taxation Act. Congress is considering an extension of the current moratorium on Internet taxes. A bill (S.150) was introduced simply extending the current moratorium but taxation opponents have amended it in ways that further restrict governments' ability to tax internet-related transactions. It is our understanding that the current version of S.150 would restrict California cities in their collection of utility consumption tax and franchise fees on telecommunications firms. The City collected \$22.9 million from telecommunications firms in FY 2002-03 on these two taxes.

A. GENERAL PURPOSE FUND

REVENUE HIGHLIGHTS

Attachment A-1 shows budgeted revenues for 2003-04, actual revenues for the second quarter, and year-end projections. **General Purpose Fund (GPF) total revenues are projected to end the year at \$408.16 million; which is \$10.19 million above the FY 2003-04 adjusted budget.**

Low interest costs are fueling a \$9.0 million projected surplus in the Real Estate Transfer Tax (RETT), as homebuyers hurry to take advantage of low rates while there is still time. The Miscellaneous category is contributing to the surplus via unbudgeted land sales and repayments from the Redevelopment Agency. The Sales Tax had a strong second quarter and is expected to continue to exceed budget as the economy recovers and new sales tax generators come online.

A \$6.7 million deficit is forecast for the Utility Consumption Tax (UCT), which has not met optimistic growth expectations. Within the UCT, both energy and telecommunications revenue are declining; electricity revenue could fall further as a consequence of rate reductions in the tentatively approved PG&E bankruptcy settlement.

Service Charges are projected to end the year with a surplus of \$1.5 million. Deficits in parking meter revenue will net against \$5.5 million in unbudgeted payments from the Port of Oakland, for services provided in past years. Parking meter revenue has increased over the prior year due to two recent rate hikes, but is still projected to end the year \$3.1 million below what was assumed in the budget.

Fines & Penalties are projected to end the year at \$24.7 million, \$1.5 million below budget. The deficit is attributable to \$1.4 million in revenue associated with abandoned vehicles; an under-collection in other parking fines is also projected.

The Vehicle License Fee (VLF) revenue is projected to end the year \$1 million above the adjusted budget. The variance from budget is mostly due to the City budgeting to receive only 50 percent of VLF backfill reimbursement, while a somewhat higher proportion is now expected.

Property Tax

Property tax revenue collected through the end of the second quarter was \$36.9 million, a 10 percent increase over the second quarter of FY 2002-03. This \$36.9 million represents 52 percent of the current budget of \$71.6 million.

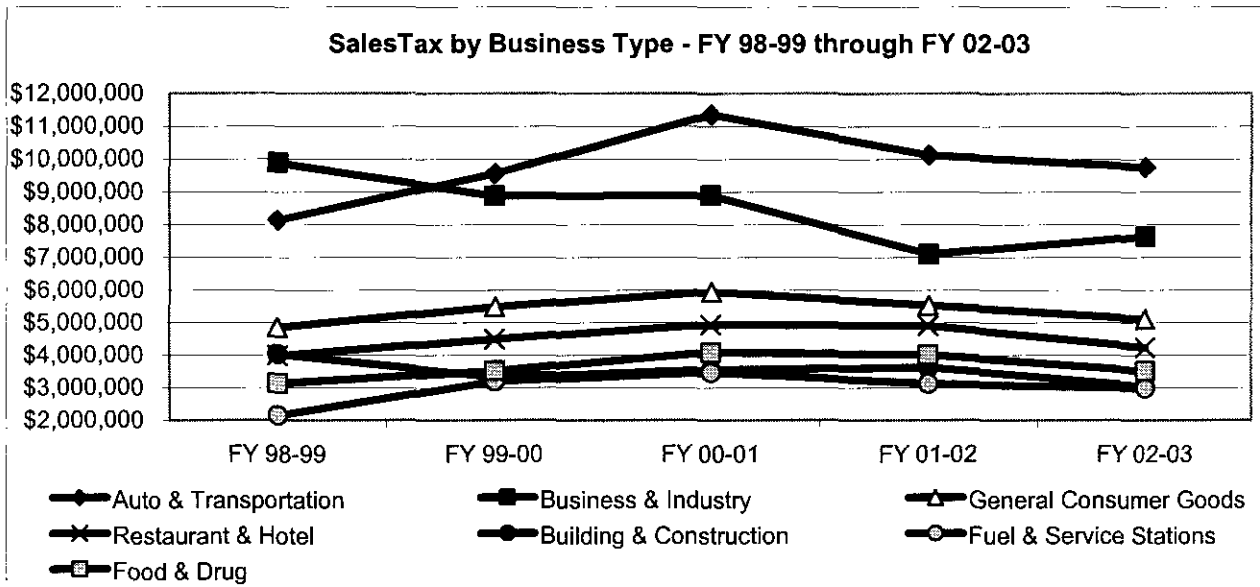
We are not aware of any appeals that could significantly reduce revenue through the rest of this fiscal year, although a county administrative charge will net against total revenue. Taking all of the above into consideration, **property tax revenue is projected to end the year at \$71.2 million**, less than one percent below the budgeted level of \$71.6 million.

Sales Tax

Sales tax revenue through the second quarter was \$20.1 million – nearly a nine percent increase over the second quarter of FY 2002-03. This \$20.1 million represents 54 percent of the current budget of \$37.0 million.

The chart on the following page provides a breakdown of the Sales Tax revenue by type, for the last five years. It is clear that the City's auto sector is the highest contributor to our sales tax revenue, with the business & industry sector following closely. These two sectors are expected to continue contributing the most to the City's Sales Tax revenue in FY 2003-04. The auto

sector in particular has exhibited an increase in sales, following the recent reduction in the car registration fee by the new Governor.



We expect the strong performance of the Sales Tax through the second quarter to continue throughout the second half of the year, and are **projecting year-end sales tax to be \$39.2 million** - \$2.2 million above the budgeted \$37.0 million. There are three primary reasons for this forecast:

- The general upturn in the national economy (see General Economic Overview),
- United Aviation Fuels opened an Oakland office in October--annual sales tax revenue is estimated at almost \$800,000. Because of lags in reporting, none of this new revenue is showing in Oakland's second quarter figures. Therefore, United should contribute a \$400,000 boost in sales tax revenue during the second half of the year.
- Discount grocer Food 4 Less announced its opening of a 50,000 square foot super market at Durant Square, on the Oakland-San Leandro border. Annual sales tax revenue should be in the range of \$45,000-\$55,000, much of which should add to Oakland sales tax revenue.

In other sales tax-related news:

- Oakland's Port Commission recently approved the development of a 200,000 square foot retail center at the corner of Hegenberger and I-880, which will include restaurants, fast food outlets and Oakland's first Wal-Mart. The development is planned to be under way by the summer of 2004.
- The Home Depot that will be replacing the High Street K-Mart is now scheduled to open in the summer of 2004.

Vehicle License Fee (VLF) Tax and Backfill

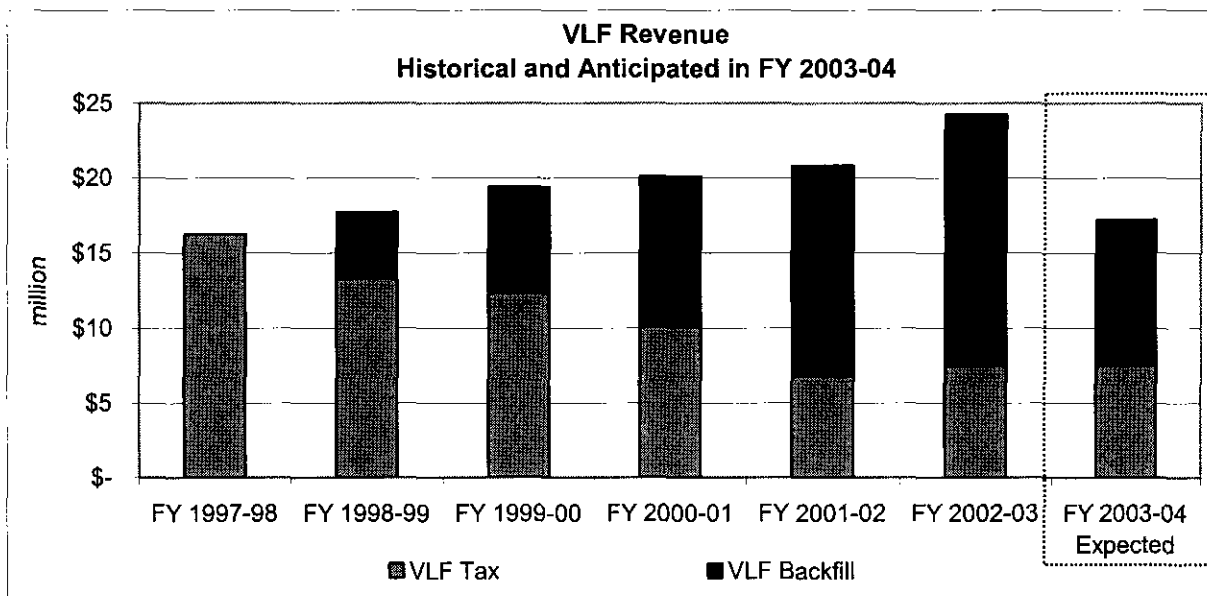
The VLF is charged to owners of registered vehicles in California and a portion of the statewide fees are remitted to local governments. In 1998, the Legislature began a series of reductions in the VLF rate, from 2 percent to an effective rate of 0.65 percent over a period of years. However, the State held local governments harmless by providing them with "backfill" payments

that made up for the reduced tax revenue. In June 2003, the VLF rate was reinstated to 2 percent by Governor Davis, pursuant to language in the 1998 rate reduction legislation that allowed an increase if "insufficient moneys" were available to be transferred to local government from the State's general fund.

In the fall of 2003, Arnold Schwarzenegger campaigned for governor, promising to repeal the June 2003 increase. On assuming office, he fulfilled this promise, and did not immediately provide for backfill payments to make up the difference. Local government voiced strong protest. Governor Schwarzenegger subsequently provided for backfill payments, but only for the period of October 2003 through June 2004, thus creating an VLF backfill "gap" for the period of July 2003-September 2003.

However, if actual receipts through December are a good indicator, Oakland will receive just 57 percent of its backfill allocation – rather than the 75 percent suggested by the October-June time frame. A couple of factors explain this additional lost revenue: 1) County mental health programs, which also receive VLF backfill, have been held harmless from the effects of the gap – therefore, cities such as Oakland will shoulder a greater burden; 2) Complex cash flow issues at the State level surrounding the calculation and implementation of the gap will also result in a greater revenue loss to Oakland. As a result, the City is projected to receive \$17.2 million in VLF tax and backfill revenue, versus the \$16.2 million that was budgeted.

VLF collections come in two parts: 1) the Tax, which accounts for approximately 32.5 percent of VLF revenue and is paid by car owners and collected by the DMV, and 2) the Backfill, which represents the remaining 67.5 percent and reflects a transfer from the State's General Fund to compensate local governments for the revenue foregone as a result of the VLF tax decreases of recent years. The chart below illustrates shrinking of the Tax portion to the current 32.5 percent, with the corresponding increase in the Backfill.



VLF Tax revenue through the end of the second quarter was \$3.7 million, representing 49 percent of the budgeted amount; VLF backfill revenue through the end of the second quarter was \$3.0 million (36 percent of budget). Based on revenue received, and assuming continued full backfill payments, we are projecting to receive \$7.5 million in tax and \$9.7 in backfill by the

end of the year. Total revenue in the VLF category is projected at \$17.2 million, compared to the budget of \$16.2 million.

Business License Tax (BLT)

BLT revenue through the end of the second quarter was \$2.7 million – 31 percent lower than second quarter receipts in FY 2002-03. The \$2.7 million is six percent of the current budget of \$42.8 million.

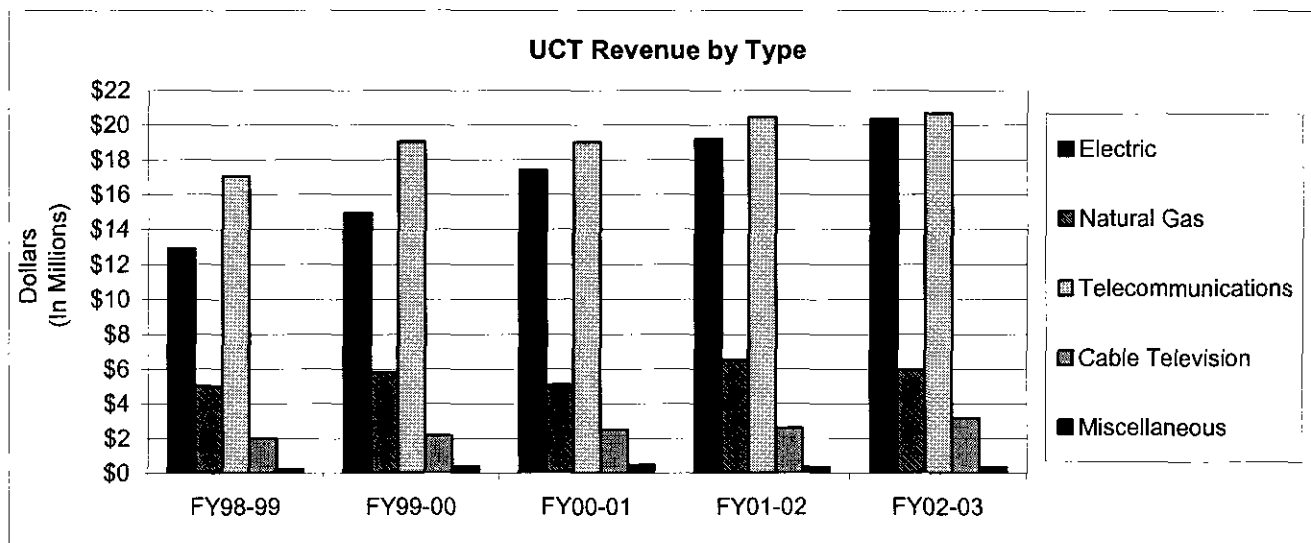
BLT payments are due January 1 and delinquent on March 2. Hence, 80-90 percent of BLT revenue is collected between January and March, so second quarter data are not particularly helpful in doing year-end projections.

Other salient characteristics of BLT revenue are that it is based on a combination of business' gross receipts (54 percent) and rental income (41 percent), and reflects activity of the preceding calendar year (i.e. FY 2003-04 revenue is determined by receipts and income for calendar year 2003). We know the East Bay rental market weakened throughout 2003. General business activity however, seems to have strengthened, in light of strong sales tax revenue for 2003, and explosive growth in the national GDP figure for the third quarter of 2003.

Since we have little actual BLT collection data to analyze, and since the two primary determinants for this revenue seem to be netting against each other, we forecast FY 2003-04 BLT revenue to **end the year at the budgeted \$42.8 million.**

Utility Consumption Tax (UCT)

UCT revenue through the end of the second quarter was \$23.3 million, which is five percent lower than second quarter revenue in FY 2002-03. The \$23.3 million represents 44 percent of the current budget of \$53.6 million.



The chart above reflects historical performance of the various UCT components. It shows that the Electric and Telecommunications categories have historically contributed the largest shares to the UCT revenue, therefore influencing its overall performance.

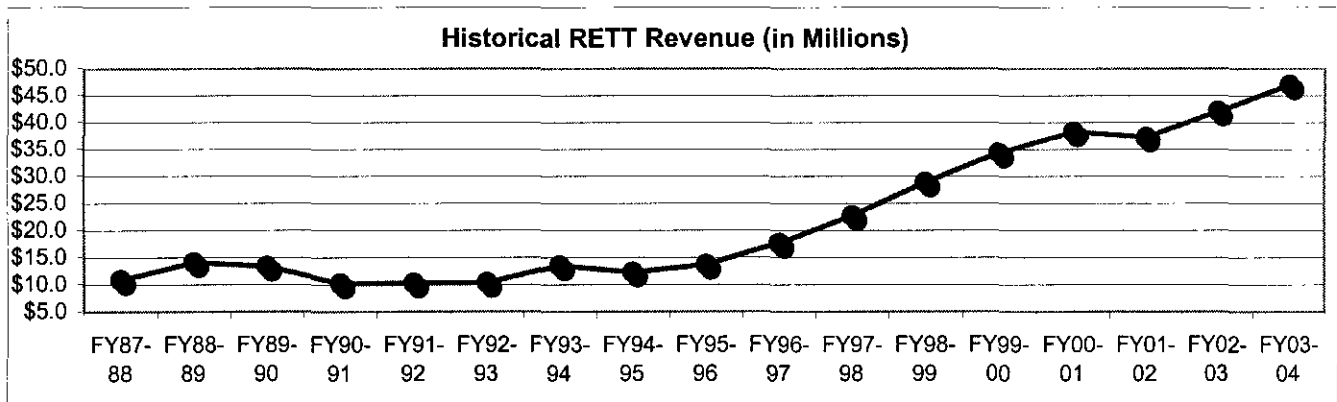
The current UCT budget assumed fairly robust growth in the Telecommunications and Energy (i.e. combined Electric and Natural Gas) categories, which is not taking place. Year-to-date performance has been below budget and will probably continue below budget for the second half of the year. Although natural gas prices are expected to rise by as much as 30 percent through the winter, electricity rates are expected to fall an average of 8 percent as a result of the PG&E bankruptcy settlement. These two factors should nearly cancel each other out, since electricity accounts for roughly three times as much revenue as does natural gas. Meanwhile, telecommunications, representing 43 percent of UCT revenues, has performed sluggishly in recent years and shows no sign of picking up.

We are assuming at this time that the Public Utilities Commission (PUC) will approve the PG&E bankruptcy settlement in February and that consumers will start seeing rate reductions on their bills in March. On that basis, UCT revenue is projected to continue for the next six months at nearly the same pace as for the first six, and **will end the year at \$46.9 million.**

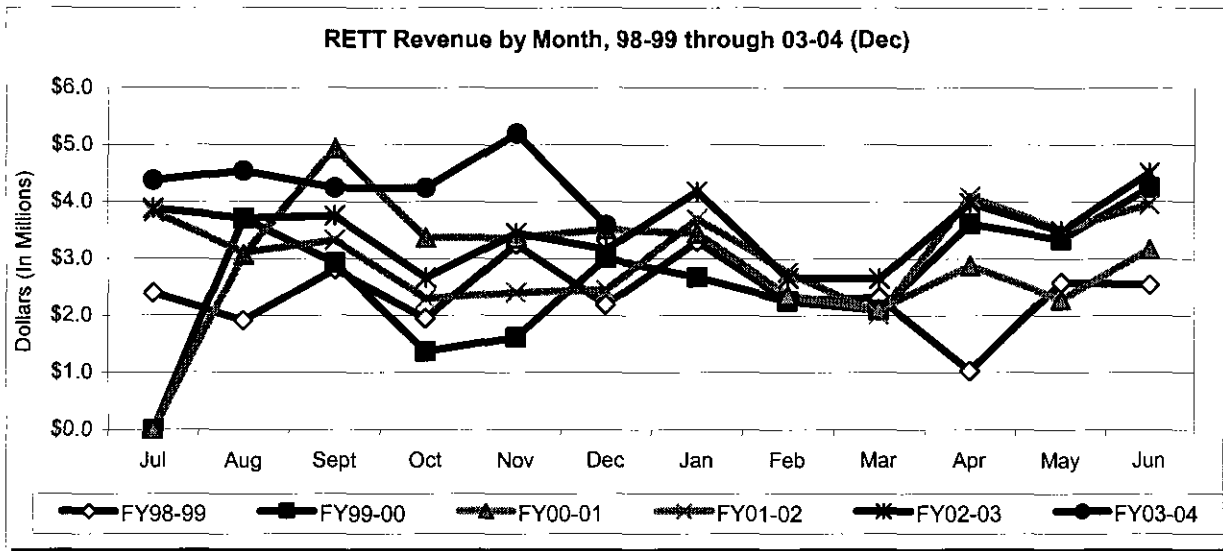
Real Estate Transfer Tax (RETT)

RETT revenue through the end of the second quarter was \$26.2 million, which is 27 percent higher than second quarter collections in FY 2002-03. The \$26.2 million represents 69 percent of the current budget of \$38.0 million.

The strong performance of RETT revenue through the second quarter is partly a reflection of the continuation of several years of strong growth in the Oakland housing market: RETT revenue has grown from \$10 million in FY 1987-88 to \$42 million in FY 2002-03 (see chart below), and is conservatively projected to end the current year at \$47.0 million.



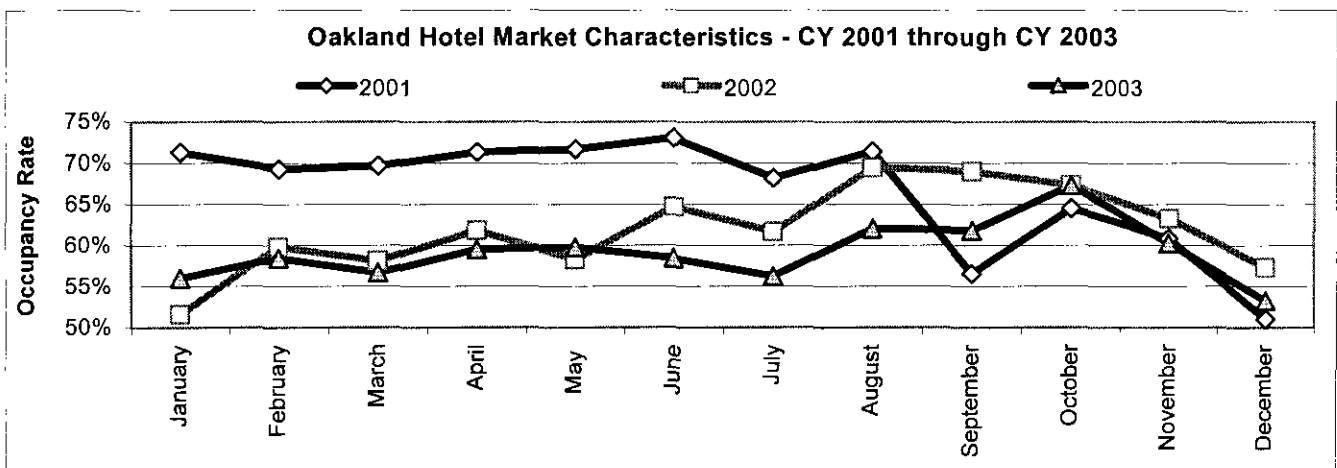
The RETT revenue through December 2003 has been strong, demonstrating significant increases from prior years on a month-to-month basis (see chart on the next page). In particular, continuing low interest rates are motivating a heavy volume of sales and home refinances, which trigger RETT if there is a change in owners' names listed in the title documents.

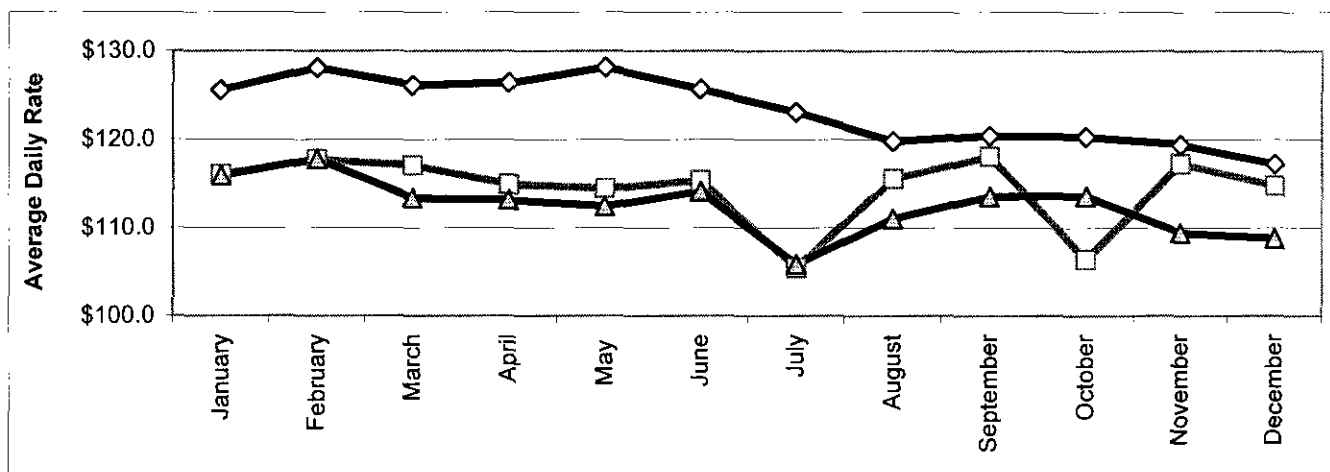


However, interest rates are expected to rise (although many analysts do not see this happening until later in the spring), and the volume of housing purchases and refinances is expected to decrease as a result. At this time, anticipating a decrease in real estate transactions in the second half of the fiscal year, we are conservatively projecting year-end RETT revenue to reach \$47.0 million.

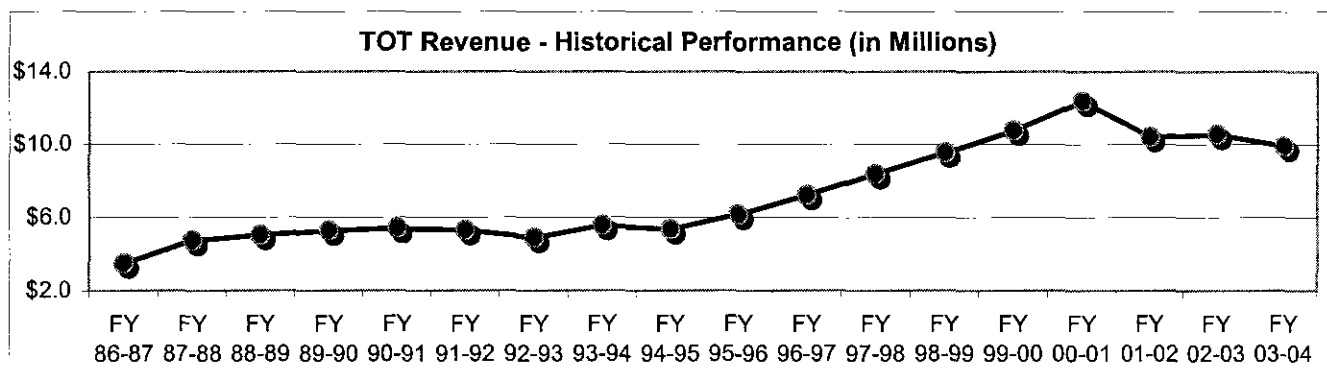
Transient Occupancy Tax (TOT)

TOT revenue collected through the end of the second quarter was \$5.2 million, which is 15 percent lower than second quarter collections in FY 2002-03. The \$5.2 million represents 51 percent of the current budget.





The charts above illustrate the damage inflicted on Oakland’s hotel industry since September 11, 2001. Occupancy rates fell from 80 percent in September 2000 (not shown) to 57 percent in September 2001. There was somewhat of an upswing in 2002, but rates through the first three quarters of 2003 averaged 10-15 percentage points lower than 2001, and in the last three months are barely above the rates posted in the immediate aftermath of September 11. The drop in room rates has been less dramatic; average rates in 2003 are about nine percent lower than in 2001.



Oakland’s TOT revenue has also fallen (see chart above). FY 2000-01 revenue was \$12.4 million; FY 2001-02 was \$10.4 million; FY 2002-03 was \$10.6 million. Although year-to-date collections are at 51 percent of budget, TOT revenue generally displays a pronounced seasonal component that leads us to **project year-end revenue to come in at \$9.9 million.**

Parking Tax

Parking Tax revenue through the end of the second quarter was \$4.4 million, 14 percent higher than second quarter collections in FY 2002-03. The \$4.4 million represents 56 percent of the current year budget of \$7.9 million.

Parking tax revenue is imposed on the occupant of an off-street parking space—in a lot or a garage—for the privilege of renting that space. It is collected by the facility operator and then remitted to the City. Second quarter revenue has been strong, which is consistent with an upward trend for the last three years. **We are projecting to end the year at \$9.1 million, which is \$1.2 million above budget.**

Licenses & Permits

Licenses & Permits revenue through the end of the second quarter was \$6.5 million, one percent higher than second quarter collections in FY 2002-03. The \$6.5 million represents 47 percent of the current budget.

License & Permits revenue is mainly construction-related: the table below shows that for the last three years, 90 percent of this category has come 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.

Historical Breakdown of the Licenses & Permits Revenue - General Purpose Fund)

| Permit Type | FY 00-01 | % of Total | FY 01-02 | % of Total | FY 02-03 | % of Total | FY 03-04 (Q2) | % of Total | % of Budget |
|---------------------------------|-------------------|-------------|-------------------|-------------|-------------------|-------------|------------------|-------------|---------------|
| Animal Licenses | 176,165 | 1.55% | 154,487 | 1.32% | 177,643 | 1.37% | 93,018 | 1.43% | 53.34% |
| Bicycle Licenses | 1,549 | 0.01% | 1,565 | 0.01% | 1,005 | 0.01% | 270 | 0.00% | 16.88% |
| Boat Permits | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | N/A |
| Charity Permits | 2,830 | 0.02% | 2,900 | 0.02% | 2,850 | 0.02% | 3,118 | 0.05% | 77.95% |
| Construction Permits | 9,301,096 | 81.98% | 9,429,690 | 80.43% | 10,382,028 | 80.07% | 5,086,815 | 78.45% | 45.14% |
| Encroachment Permits | 275,505 | 2.43% | 395,362 | 3.37% | 453,414 | 3.50% | 155,686 | 2.40% | 36.91% |
| Fire Clearance Certificate | 11,728 | 0.10% | 9,047 | 0.08% | 6,607 | 0.05% | 3,171 | 0.05% | 34.31% |
| Fire Permits | 92,749 | 0.82% | 99,635 | 0.85% | 208,719 | 1.61% | 48,634 | 0.75% | 38.91% |
| Grading and Excavating Permit | 371,061 | 3.27% | 361,385 | 3.08% | 354,309 | 2.73% | 236,779 | 3.65% | 107.10% |
| NPDES Monitoring | 0 | 0.00% | (540) | 0.00% | 2 | 0.00% | 2 | 0.00% | N/A |
| Obstruction Permits | 53,100 | 0.47% | 55,200 | 0.47% | 98,409 | 0.76% | 5,486 | 0.08% | 8.47% |
| Planning Permit - Environmental | 206,311 | 1.82% | 227,532 | 1.94% | 187,513 | 1.45% | 243,661 | 3.76% | 72.91% |
| Planning Permit - Subdivision | 63,085 | 0.56% | 89,727 | 0.77% | 115,649 | 0.89% | 65,849 | 1.02% | 66.03% |
| Planning Permit - Zoning | 331,965 | 2.93% | 427,802 | 3.65% | 471,323 | 3.64% | 267,720 | 4.13% | 57.15% |
| Police Permits | 17,837 | 0.16% | 46,935 | 0.40% | 54,888 | 0.42% | 35,214 | 0.54% | 86.65% |
| Residential Parking Permits | 3,003 | 0.03% | 44,876 | 0.38% | 49,242 | 0.38% | 34,007 | 0.52% | 67.27% |
| Security Alarm Permits | 37,716 | 0.33% | 483 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0.00% |
| Sewer Permits | 286,560 | 2.53% | 275,555 | 2.35% | 289,623 | 2.23% | 139,361 | 2.15% | N/A |
| Sidewalk/Driveway Permits | 91,173 | 0.80% | 85,720 | 0.73% | 103,572 | 0.80% | 57,862 | 0.89% | N/A |
| Tree Removal Permits | 22,662 | 0.20% | 16,690 | 0.14% | 9,270 | 0.07% | 7,891 | 0.12% | 46.00% |
| Total | 11,346,095 | 100% | 11,724,051 | 100% | 12,966,066 | 100% | 6,484,543 | 100% | 46.65% |

This revenue seems to be relatively immune to cyclical swings in the economy. The Community and Economic Development Agency (CEDA) staff, who collect most of the Licenses & Permit revenue, explain that in a slow economy, commercial construction falls off because of the lack of demand for business products and services. However, slow economies tend to have low interest rates that encourage homeowners to take on minor remodeling projects. Therefore, while commercial permit activity slows, residential picks up, and vice versa.

At the present time, CEDA staff believe that large numbers of new homes are being purchased and immediately remodeled. In addition, a significant amount of underground cabling is being put in by Comcast and Internet providers such as SBC. Given the steady growth and consistent seasonal patterns of this revenue, **we are projecting the Licenses & Permits revenue to reach \$14.0 million by year-end, or slightly above budget.**

Fines & Penalties

Fines & Penalties revenue through the end of the second quarter was \$11.4 million, 20 percent higher than second quarter collections in FY 2002-03. The \$11.4 million represents 44 percent of the current year's \$26.2 million budget.

Between 80 and 85 percent of Fines & Penalties consists of fines for violating parking regulations. Several increases in parking fines that were approved by the Council in February and June 2003 should cause parking enforcement revenue to increase compared to FY 2002-03. These include:

Increases in Parking Fines – A number of parking fines have been increased, including fines for parking in red, yellow, white or green zones; at expired meters; and restricted time zones.

Increased Parking Enforcement/Roving Patrols – Parking enforcement efforts have been strengthened through the establishment of a roving parking patrol crew.

Increased Towing Fees – A towing fee for abandoned vehicles has been increased from \$65 to \$250, and the consistent application of the fee has been enforced.

Revenue increases associated with these changes have been factored in the FY 2003-04 budget. However, year-to-date collections are somewhat below the increases envisioned in the budget. Part of this shortfall is attributed to only a minimal collection year-to-date in abandoned vehicles fines, which are budgeted at \$1.4 million. In addition, collection of other parking citation revenue is also lagging, and is expected to be under budget – even taking into account the full processing of the citation backlog that at one point reached \$1.7 million.

The year-end projection for Fines & Penalties is \$24.7 million, \$1.5 million below budget. This projection assumes that the current backlog in unprocessed citations is eliminated by year-end.

Interest Income

Interest Income through the end of the second quarter was \$0.57 million, 73 percent higher than second quarter collections in FY 2002-03. The \$0.57 million represents 30 percent of the current budget of \$1.9 million.

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. In FY 2003-04, the City's available investment funds, as well as the interest rates, are expected to be at levels comparable to FY 2002-03. As a result, the General Purpose Fund's interest income revenue is estimated at a healthy level.

However, this projected revenue will likely be offset by the negative interest income charges coming from other, mostly grant-related, funds. These other funding sources disallow negative interest charges (which are a product of the negative cash balances in those funds, resulting from lags in reimbursements), and the General Purpose Fund has been assuming these negative charges. Staff is currently working with City agencies and departments that are responsible for managing the grant funds with negative balances, and developing a mechanism to charge the negative interest back to those departments, as a disincentive for delaying the draw-downs.

After the negative interest charges are taken into account, the year-end total interest income in the GPF is projected to net to \$1.6 million by year-end.

Service Charges

Service Charges through the end of the second quarter were \$19.3 million, which is 18 percent higher than second quarter collections in FY 2002-03. The \$19.3 million represents 35 percent of the current budget of \$54.5 million.

Service Charges contain a variety of revenue types. The table below breaks out the major categories, and shows year-to-date collections and year-end projections:

| | FY 2003-04 Budget | % of Total | FY 2003-04 YTD | % of Total | FY 2003-04 YE Projected | Surplus/ (Deficit) |
|-------------------------------------|----------------------|---------------|-------------------|---------------|----------------------------|-----------------------|
| Other/Miscellaneous Service Charges | 12,227,139 | 22% | 4,373,703 | 36% | 11,295,831 | (931,308) |
| Port Revenue | 11,735,633 | 22% | 3,317,880 | 28% | 17,275,633 | 5,540,000 |
| Parking Fees (Meter Stalls) | 10,345,737 | 19% | 3,413,597 | 33% | 7,229,530 | (3,116,207) |
| Franchise Taxes | 10,270,207 | 19% | 4,007,849 | 39% | 9,904,560 | (365,647) |
| Personnel Services | 4,397,584 | 8% | 1,647,159 | 37% | 4,556,729 | 159,145 |
| Public Works Fees | 4,070,359 | 7% | 2,056,597 | 51% | 4,344,964 | 274,605 |
| Prisoner Maintenance Charges | 1,420,259 | 3% | 468,875 | 33% | 1,363,698 | (56,561) |
| | 54,466,918 | 100% | 19,285,660 | 35% | 55,970,945 | 1,504,027 |

Miscellaneous Service Charges include parks and recreation fees, a variety of inspection fees, general plan surcharges, and miscellaneous sales. Many of the fees in this category were recently increased, as part of annual modifications to the City's fees and charges (as reflected in the Master Fee Schedule). However, year-to-date collections are below budget. This category is difficult to analyze since it is comprised of a large number of items unrelated to each other. Relying solely on seasonal patterns of collection, we are projecting year-end revenue of \$11.3 million, which would leave a deficit of -\$0.9 million.

Port Revenue consists of payment from the Port of Oakland for Police, Fire, and other services the City provides to the Port. Invoices, sent to the Port quarterly, are usually based on the budgeted costs of service, with a year-end clean-up invoice reflecting the actual costs. The Finance & Management Agency, which administers Port payments, expects to receive \$5.5 million from the Port for services rendered by the City to the Port in prior years. In anticipation of this payment, and assuming the Port also pays all budgeted amounts, we are projecting Port revenue of \$17.3 million.

Parking Meter Revenue consists of charges for parking in metered street stalls. The budget for Parking Meter Collections is double the prior year's actual collections of \$5.2 million. The majority of the budgeted increase (\$3.0 million) was due to anticipated heightened repair efforts to keep more meters in service.

The two rate increases in the past calendar year (to a current \$1.25 per hour in downtown, and \$1.00 in all other areas) have resulted in many meters jamming, because they are filled with coins. The Parking Division has recently invested in a new coin-sorting device, which requires only two operators, which has enabled more of the collection staff to remain on the street emptying meters.

The City's Duncan meters are approximately six years old and are increasingly malfunctioning. The coin tracks are a major maintenance item and staff replaces approximately 750 coin tracks per month. Staff is replacing the internal meter mechanisms with those from another manufacturer in high volume areas, as the budget permits. These new electronic mechanisms are more resistant to moisture problems and less likely to suffer from jams.

Over the years, a number of meter heads have been removed in areas of the City. Meter Repair crews are replacing these missing heads on overtime basis and concentrating on high volume areas. Approximately one half of the missing meter heads have been replaced and the remainder are expected to be replaced over the next two months.

Intentional jamming and bagging of the City's meters is on the increase. The Parking Division is reorganizing the field crews into "beat teams" consisting of Enforcement, Collection and Repair personnel. These crews are held accountable for beat revenues and out of service meters. This reorganization will result in better communication and coordination between the three field functions.

Given the above issues, **the parking meter revenue reflects under-collection year-to-date, and is projected to end the year at \$7.2 million, or more than \$3.1 million below 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 overall year-end projection for Franchise Taxes is \$9.9 million, or \$0.4 million lower than the budget expectation.** The projected deficit is primarily due to lower-than-expected receipts from PG&E.

PG&E makes a single payment, usually in April. The payment is based to a large extent on gross receipts and therefore will be determined by increases in energy usage and costs. This year's collection from PG&E is projected at \$2.4 million, based on the trend of prior year actual receipts. Waste Management payments are determined by its contract with the City; the amount is \$4.2 million for the current year. East Bay MUD payments are forecast to come in at the budgeted amount of \$2 million.

Payments from Comcast for cable television are also based on gross receipts. Although Comcast recently announced a six percent price increase, to be effective starting in the new year, we are only factoring in a four percent increase in our projections, since it is not known how many of their customers will switch to satellite dishes in response.

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 producing 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 below budget, but has a strong seasonal component (more payments come in later in the year). **Personnel Services also have had a sharply upward trend over the last five years. We are projecting year-end revenue to be \$4.6 million, against a budget of \$4.4 million.**

Public Works Fees: Most of this revenue is collected by CEDA for various inspection and application fees, title fees and a variety of other miscellaneous charges. Second quarter

collections are slightly above budget, and the year-end projection is \$4.3 million, against a budget of \$4.1 million.

Prisoner Maintenance Charges: These are reimbursements from both the State and Federal government for housing their prisoners in Oakland jails. There are no set contracts, and demand for the services is variable and difficult to forecast. Based on second quarter revenue, and the trend for the last five years, the year-end projection is to come in close to the budgeted \$1.4 million.

Overall, year-end Service Charges are projected at \$56.0 million, or \$1.5 million above budget, reflecting the under-collection of Parking Meter revenue and Miscellaneous Service Charges netting against the over-collection in Port revenue.

Grants & Subsidies

Grants & Subsidies revenue through the end of the second quarter was seven thousand dollars, significantly lower than second quarter collections in FY 2002-03. The seven thousand dollars is six percent of the budget, and includes only one component (the Peace Officers grant). **The year-end Grants & Subsidies revenue is projected at the budget of \$0.11 million.**

Miscellaneous

Miscellaneous revenue through the end of the second quarter was \$3.3 million, which is 35 percent higher than second quarter collections in FY 2002-03. The \$3.3 million represents 49 percent of the current budget of \$6.8 million.

The FY 2003-04 Adopted Budget for Miscellaneous revenues was comprised of the following:

- o \$2.1 million transfer from the Multipurpose Reserve Fund
- o \$2.0 million transfer from the Mandatory Garbage Fund
- o \$1.14 million reimbursement from OBRA for Police, Fire and other City services
- o \$0.8 million loan repayment from the Oak Center Redevelopment Project Area
- o \$0.73 million other miscellaneous items.

The table on the following page shows additional items now projected to generate revenue in this category.

| ADDITIONAL MISCELLANEOUS REVENUE | 2003-04 Impact (millions) |
|---|------------------------------|
| Surplus Property Sale (11 properties) | \$1.60 |
| City's Land Sale (Infiniti) | \$0.40 |
| ORA repayment on the \$8.5 million note | <u>\$2.50</u> |
| | \$4.50 |

It is expected that all budgeted items will be realized, as well as the unbudgeted items shown above, so that **year-end Miscellaneous revenue is projected to be \$11.3 million.**

Fund Transfers

Fund transfers through the end of the second quarter were \$3.2 million, 50 percent of the current budget of \$6.3 million.

The Fund Transfers revenue category this fiscal year includes only two components:

- a \$0.6 million transfer from the Sewer Service Fund (a continued repayment for space costs)
- a \$5.7 million transfer from the Municipal Improvement Capital Fund (a continued partial reimbursement for capital project spending in the General Purpose Fund)

Both fund transfers are made according to a pre-set monthly schedule. **The year-end Transfers amount is projected at budget of \$6.3 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 2003-04, \$10.86 million in projects and encumbrances were carried forward from FY 2002-03.** 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.

EXPENDITURE HIGHLIGHTS

As outlined in Attachment A-2, the General Purpose Fund (GPF) expenditures through the end of December 2003 are \$193.37 million, or 48.6 percent of the FY 2003-04 Adjusted Budget. **GPF total expenditures are expected to reach \$408.11 million by year-end, or \$10.21 million over budget.**

The year-end projected spending takes into account the already realized four-day business shutdown savings, applied to Local 790 employees, as well as the additional 3.0 percent employee contribution towards retirement, effective January 2004 for Local 790 members and July 2003 for all other civilian employees. Collectively, the four-day business shutdown and the additional retirement contribution are expected to generate \$2.19 million in GPF savings by year-end.

The agency / department-level detail on the spending to date and projected through year-end is provided below, and summarized in Attachment B-1. Attachment C provides the breakdown of overtime spending through December 2003 and projected year-end results, for the General Purpose Fund and All Funds.

Mayor

- The **Office of the Mayor** (the Office) has spent \$0.85 million or 52.4 percent of its \$1.62 million Adjusted Budget through the end of December 2003.
- *Personnel Services* have accounted for 71.8 percent of the total spending. The Office is authorized 15.2 FTEs within the General Purpose Fund; and on average, is under the

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FTE mark. Approximately 47.8 percent of the personnel services budget has been expended through the second quarter. Business shutdown implementation is expected to achieve only minimal savings by year-end, while the additional retirement contribution by staff is expected to achieve savings of approximately \$0.03 million by year-end. Overall, the Office is not expected to achieve any year-end salary savings, fully expending its personnel services appropriations.

- *Operations & Maintenance* accounted for 28.2 percent of total spending. The majority of the spending is associated with supplies & materials and miscellaneous service expenditures.
- Given its spending to date and accounting for anticipated changes in future spending patterns, **the Mayor's Office is projected to spend within its FY 2003-04 Adjusted Budget by year-end.**

City Council

- The **Office of the City Council** (the Council) has spent \$0.92 million or 41.6 percent of its \$2.22 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for the majority of the total spending. The Council is authorized 22.79 FTEs within the General Purpose Fund; and on average, is under the FTE mark. Approximately 51.6 percent of the personnel services budget has been expended through the second quarter. Business shutdown implementation is expected to achieve only minimal savings by year-end, while the additional retirement contribution by staff is expected to achieve savings of approximately \$0.05 million by year-end. Overall, the Council is not expected to achieve any year-end salary savings, and may slightly overspend its personnel services appropriation, mainly due to unbudgeted bilingual premiums, as well as the use of temporary and part-time personnel.
- *Operations & Maintenance* (excluding reimbursements) accounted for 3.6 percent of the total spending.
- Given its spending to date and accounting for anticipated changes in future spending patterns, **the Council is projected to slightly overspend its FY 2003-04 Adjusted Budget by year-end, for the reasons explained above.**

City Manager

- Overall, the City Manager's Office has spent \$2.56 million or 47.7 percent of its \$5.37 million Adjusted Budget through the end of December 2003. Given its spending to date and accounting for anticipated changes in future spending patterns, **the CMO is projected to spend within its FY 2003-04 Adjusted Budget.** The specifics are discussed below.

Administration

- The Administration Unit has spent \$0.67 million or 43.4 percent of its \$1.54 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for nearly all of the total spending. Spending on personnel is considerably higher than the mid-year target. Approximately 63.9 percent of the personnel services budget has been expended through the second quarter.

However, because of the recent staff turnover, personnel spending in the remainder of the fiscal year should on average decrease. Business shutdown implementation is expected to achieve only minimal savings by year-end, while the additional retirement contribution by staff is expected to achieve savings of approximately \$0.04 million by year-end. Overall, the Administrative Unit is not expected to achieve any year-end salary savings, fully utilizing their personnel services budget.

- *Operations & Maintenance* accounted for a small portion of total spending, with the majority being associated with supplies, utilities, promotions and reproduction.

Citywide Support

- The Citywide Support Programs (the Programs), which include Equal Access, Citizen's Police Review Board, Equal Opportunity, Risk Management, ADA, Budget Office and other programs, have spent \$1.89 million or 49.4 percent of their \$3.84 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 91.5 percent of the total spending. The Programs are anticipated to slightly exceed their personnel services budget, in part because of unanticipated salary adjustments. Approximately 50.8 percent of the personnel services budget has been expended through the second quarter. Business shutdown savings for the Programs are slightly above \$4,000; the additional retirement contribution by staff is expected to achieve savings of approximately \$0.08 million by year-end.
- *Operations & Maintenance* accounted for 8.5 percent of the total spending. The largest portion of O&M spending is the medical services contract for the city jail; the second largest item is associated with the "Equal Access to Services" Ordinance requirements.
- Given their spending to date and accounting for anticipated changes in future spending patterns, the Citywide Support Programs are projected to spend within their collective FY 2003-04 Adjusted Budget by year-end.

City Clerk

- The **Office of the City Clerk** has spent \$0.80 million or 35.2 percent of its \$2.28 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 68 percent of the total spending. The Office of the City Clerk is authorized 11.7 FTEs within the General Purpose Fund, and has stayed within this target. Approximately 46.7 percent of the personnel services budget has been expended through the second quarter. Overtime spending accounted for 2.6 percent of the overall personnel services spending. The Agenda Management Program anticipates overtime spending for the current fiscal year to be approximately \$0.03 million. Business shutdown savings for the Clerk's Office are nearly \$3,000; the additional retirement contribution by staff is expected to achieve savings of approximately \$0.03 million by year-end. Overall, the Office of the City Clerk is not expected to achieve any year-end salary savings partly due to overtime spending.
- *Operations & Maintenance* accounted for 32 percent of the total spending. While only 18.7 percent of the \$1.17 million O&M appropriation has been spent through the second quarter, the Office of the City Clerk anticipates spending a considerable amount of its O&M budget on the March 2004 Primary Presidential election, records storage and the reproduction of agenda materials.

- Given its spending to date and accounting for anticipated changes in future spending patterns (elections, records storage and reproductions), **the Office of the City Clerk is projected to spend within its FY 2003-04 Adjusted Budget by year-end.**

City Attorney

- The **City Attorney's Office** (CAO) has spent \$3.58 million or 49.0 percent of its \$7.31 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for nearly all of the total spending. Approximately 50.8 percent of the personnel services budget has been expended through the second quarter. Overtime spending accounted for less than 1 percent of the personnel services spending, and is not expected to be a factor in overall spending. Business shutdown implementation in the CAO has resulted in savings just under \$2,000; the additional retirement contribution by staff is expected to achieve savings of approximately \$0.16 million by year-end. Overall, the CAO is not expected to achieve any year-end salary savings, mainly due to spending on overtime and acting pay.
- *Operations & Maintenance* (excluding overhead recoveries) accounted for less than 2.4 percent of the total spending. The CAO has approximately \$0.42 in O&M budget authority. The CAO anticipates spending the majority of these funds by year's end on bar memberships and continuing education (CLE, legal seminars).
- Given its spending to date and accounting for anticipated changes in future spending patterns, **the Attorney's Office is projected to spend within its FY 2003-04 Adjusted Budget by year-end.**

City Auditor

- The **Auditor's Office** (the Office) has spent \$0.56 million or 57.2 percent of its \$0.98 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 87.5 percent of the total spending. Approximately 54.9 percent of the personnel services budget has been expended through the second quarter. Overtime spending accounted for 0.1 percent of the personnel services spending, and is not expected to be a factor in overall spending. The Office will transfer spending to Non-General Purpose Funding sources before the end of the fiscal year; thereby staying within the personnel services appropriations. Business shutdown implementation is expected to achieve only minimal savings, while the additional retirement contribution by staff is expected to achieve savings of approximately \$0.02 million by year-end. Overall at the department level, no year-end salary savings are expected, due to overspending in other personnel categories.
- *Operations & Maintenance* accounted for 12.5 percent of the total spending. Spending within O&M is primarily due to professional contractual services for auditing purposes.
- Given its spending to date and accounting for anticipated changes in future spending patterns, **the Auditor's Office is projected to spend within its FY 2003-04 Adjusted Budget by year-end.**

Finance & Management

- Overall, the ***Finance and Management Agency*** (FMA) has spent \$13.50 million or 47.4 percent of its \$28.48 million Adjusted Budget through the end of December 2003. Given its spending to date and accounting for anticipated changes in future spending patterns, **FMA is projected to under-spend its FY 2003-04 Adjusted Budget by year-end.** The specifics are discussed below.

Information Technology

- The Information Technology Division (IT) has spent \$3.62 million or 46.9 percent of its \$7.71 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 85.4 percent of the total spending. Approximately 48.3 percent of the personnel services budget has been expended through the second quarter. Overtime spending accounts for less than 1.0 percent of overall personnel services and is not expected to be a factor in overall spending for the coming quarters. Business shutdown savings for IT were approximately \$0.01 million; the additional retirement contribution by staff is expected to achieve savings of approximately \$0.13 million by year-end. Overall, IT is not expected to achieve any salary year-end savings, due to overspending in other personnel categories.
- *Operations & Maintenance* accounted for 14.6 percent of the total spending. During the second quarter, IT has obligated or spent approximately 34.1 percent of the O&M budget. IT anticipates spending the majority of its O&M budget on the Sun Server Lease and Maintenance agreements, Oracle upgrades and technology enhancements during the second half of the fiscal year.
- Given its spending to date and accounting for anticipated changes in future spending patterns, IT is projected to slightly under-spend its FY 2003-04 Adjusted Budget by year-end.

Personnel

- The Personnel Division (Personnel) has spent \$1.88 million or 52.4 percent of its \$3.58 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 93 percent of the total spending. During the first half of the fiscal year, Personnel has spent 53.6 percent of its personnel services budget. While spending on overtime accounted for approximately 2.3 percent of the personnel services budget, Personnel has spent more than 94 percent of the overtime budget. If spending continues at the same rate, Personnel would not only exceed its overtime budget but its overall appropriations. Business shutdown savings for Personnel were just under \$2,000; the additional retirement contribution by staff is expected to achieve savings of approximately \$0.08 million by year-end. Overall, Personnel is not expected to achieve any year-end salary savings – due, in part, to overtime and acting pay.
- *Operations & Maintenance* accounted for 7 percent of the total spending. Personnel has spent approximately 27.6 percent of the overall O&M budget through the first half of the fiscal year. The majority of the O&M budget is anticipated to be spent on City-wide Training in the second half of the fiscal year.

- Given its spending to date and accounting for anticipated changes in future spending patterns, OP is projected to slightly over-spend its FY 2003-04 Adjusted Budget by year-end.

Financial Services

- The Financial Services Divisions (Finance) have spent \$8.01 million or 46.6 percent of their \$17.19 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 71.5 percent of the total spending; Finance has spent 47.7 percent of the personnel services budget during the first quarter. Overtime spending accounted for 2.3 percent of the personnel services spending during the first half of the fiscal year, and is not expected to be a major factor in the coming quarters. Business shutdown implementation in Finance resulted in savings of approximately \$0.07 million; the additional retirement contribution by staff is expected to achieve savings of approximately \$0.21 million by year-end. Overall, Finance is not expected to achieve any year-end salary savings, in part due to higher than anticipated overtime and premium pay.
- *Operations & Maintenance* accounted for 28.5 percent of the total spending. While Finance anticipates spending additional O&M budget during the second half of the fiscal year, substantial savings will be generated in this category by year-end.
- Given its spending to date and accounting for anticipated changes in future spending patterns, Finance is projected to under-spend its FY 2003-04 Adjusted Budget by year-end.

Police Services

- The **Police Services Agency** has spent \$79.2 million through the end of December 2003, or 53 percent of the \$149.3 million Adjusted Budget.
- *Personnel Services* accounted for 92.3 percent of the total quarterly spending. Personnel spending is expected to be over budget, mainly due to overstaffing of sworn personnel. (The Agency is currently over its authorized, budgeted strength by 17 sworn positions, down from 27 positions at the end of the first quarter.) Civilian personnel spending has been adjusted upward by \$0.13 million to account for the redeployment of laid-off Local 790 employees.
- *Overtime* spending through December is \$6.3 million, reflecting 62.5 percent of the \$10.1 million annual overtime budget. If current trends continue, total overtime for the year is projected at \$14.1 million, or \$4.0 million over budget. The year-end overtime estimate includes approximately \$1.4 million attributable to the Mayor's Violence Reduction Program. It must be noted that despite continuing overspending in overtime, OPD achieved reductions in annual overtime spending last fiscal year, reducing the total from \$17.4 million in FY 2001-02 to \$15 million in FY 2002-03 (within the General Purpose Fund, or "GPF"). With the current year-end projection of \$14.1 million for the GPF, FY 2003-04 would be the second consecutive year of overtime reduction for OPD. An estimated \$1.7 million of the Police annual overtime is reimbursable; however, the associated revenue has already been included in the FY 2003-05 budget.

- *Business shutdown* implementation, along with the additional 3 percent retirement contribution by civilian personnel, is expected to achieve total savings of approximately \$0.34 million by year-end.
- *Operations & Maintenance* accounts for 7.7 percent of the total spending. It is estimated that the Agency will fully expend these accounts by year-end.
- **Given its spending to date, a continuation of current trends, and annualized attrition savings of approximately \$1.3 million from sworn retirements, the Police Services Agency is projected to over-spend its FY 2003-04 Adjusted Budget by \$10.4 million through year-end.** (This compares with overspending in FY 2002-03 of \$11.6 million). The over-spending is mainly explained by overstaffing in the sworn ranks and overtime over-runs. Total estimated year-end expenditures for the Agency have been adjusted downward by \$1.8 million in existing transfers to grant funds, and \$1.5 million from the proposed Police reduction plan, which includes additional transfers of General Fund expenditures to grants, and use of carryforward amounts from the Unclaimed Cash Fund.

Fire Services

- The **Fire Services Agency** has spent \$43.83 million through the end of December, or 50.1 percent of the \$87.5 million Adjusted Budget.
- *Personnel Services* accounted for 93.7 percent of the total spending. Due to Station 2 closure and flexible deployment implementation, the number of vacant sworn positions has decreased from last fiscal year. While salary expenditures are trending higher than last year, the Department is managing its vacancies by reducing the number of personnel hired.
- *Overtime* spending through December was at \$3.5 million, which represents 121.7 percent of the \$2.9 million annual overtime budget. If current trends continue, total overtime for the year is projected at \$6.7 million, or \$3.8 million over budget. This projection is below last year's total of \$10.2 million, due to utilization of sworn personnel from Stations 2 and the "flexible deployment" rotation. The overtime overage will be covered by salary savings from the vacancies.
- *Business shutdown* implementation, along with the additional 3 percent retirement contribution by civilian personnel, is expected to achieve total savings of approximately \$0.11 million by year-end.
- *Operations & Maintenance* accounts for 6.3 percent of the total spending. It is estimated that the Agency will fully expend these accounts by year-end, due in part to a new Academy starting in the Spring.
- Assuming current trends continue, **the Fire Agency is projected to end the fiscal year on target with the Adjusted Budget.**

Cultural Arts & Marketing

- Overall, **Cultural Art & Marketing Department (CAM)** has spent \$3.88 million or 53.7 percent of its \$7.21 million Adjusted Budget through the end of December 2003. Given its spending to date and accounting for anticipated changes in future spending patterns, **CAM is projected to over spend its FY 2003-04 Adjusted Budget by year-end.** The specifics are discussed below.

Museum

- The Oakland Museum of California (the Museum) has spent \$3.11 million or 56.1 percent of its \$5.54 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 72 percent of the total spending. During the first half of the fiscal year, the Museum has spent 57.2 percent of the personnel services budget. While spending on overtime accounted for approximately 0.6 percent of the personnel services budget, the Museum did not budget for overtime spending. If overall personnel services spending continues at the same rate, the Museum would exceed its overall appropriations.
- Of a particular concern is spending on personnel services for the *Alice Arts Center*. Through the first half of the fiscal year, it was at 95.3 percent. If spending continues at the same rate, it would exceed the budget by twice the authorized amount. The Adopted Budget authorized 5.83 FTEs; however, on average, the Alice Arts Center has had 11 FTEs, or twice the authorized level.

CAM management has provided the following reasons for the situation and the proposed actions to address it: Based on the analysis of year-to-date budget and spending, CAM staff have concluded that "there is no way to correct this trend, short of shutting down the facility, which would be politically impossible." CAM cites the Mayor and City Council desire for "the Alice Arts Center to exist as low-income housing, affordable office and rehearsal space for mostly African American performing groups, and to house the Oakland School for the Arts" as a main reason for the overspending and inability to reverse the spending trend – due to the mandate to provide services that can not be delivered with the budgeted FTEs.

While CAM management acknowledges that the Alice Arts spending pattern can not be adjusted significantly, they are proposing to implement a number of actions to reduce the overall FTE count from an average of 11.48 to about 10.82.

1. First, certain O&M cost savings will be implemented.
 2. Second, about 0.16 of the full-time cost of the Chief of Security (who covers the Museum, Library, and Alice Arts Center), currently allocated to the Alice Arts Center, will now be absorbed by the Museum Visitor Services division.
 3. Third, CAM proposed to reduce custodial service by 0.5 FTE (20 hours per week).
- Business shutdown implementation in the Museum has generated approximately \$0.01 million in savings; the additional retirement contribution by staff is expected to achieve savings of approximately \$0.02 million by year-end. Overall, however, the Museum is not expected to achieve any year-end salary savings, mainly due to the Alice Arts overspending and overtime spending.
 - *Operations & Maintenance* accounted for 28.2 percent of the total spending. However, the Museum has spent approximately 53.5 percent of the overall O&M budget through the first half of the fiscal year. The majority of the O&M budget is anticipated to be spent on facility support in the second half of the fiscal year.
 - Given its spending to date and accounting for anticipated changes in future spending patterns, the Museum is projected to over-spend its FY 2003-04 Adjusted Budget by year-end.

Public Art and Cultural Funding

- The Public Art and Cultural Funding programs (the Programs) have spent \$0.48 million or 47.3 percent of their \$1.01 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 47.9 percent of the total spending. During the first half of the fiscal year, the Programs have spent 54.2 percent of the personnel services budget. If overall personnel services spending continues at the same rate, the Programs may exceed their personnel services authorized budget level – due, in part, to low personnel vacancy rate. Business shutdown implementation, along with the additional 3 percent retirement contribution by staff, is expected to achieve only minimal savings by year-end.
- *Operations & Maintenance* accounted for 52.4 percent of the total spending; the Programs have spent approximately 42.0 percent of the overall O&M budget through the first half of the fiscal year. The majority of the O&M budget is anticipated to be spent on grants or awards to artists for public displays of art. However, sufficient savings in O&M are likely to be achieved to result in overall under-spending.
- Given its spending to date and accounting for anticipated changes in future spending patterns, the Programs are projected to slightly under-spend its FY 2003-04 Adjusted Budget by year-end.

Marketing and Special Events

- The Marketing and Special Events programs (the Programs) have spent \$0.29 million or 43.6 percent of its \$0.66 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 58.6 percent of the total spending. During the first half of the fiscal year, the Programs have spent 47.1 percent of the personnel services budget. The Programs are not expected to exceed their personnel services authorized budget level. Business shutdown implementation, along with the additional 3 percent retirement contribution by civilian personnel, is expected to achieve only minimal savings by year-end.
- *Operations & Maintenance* accounted for 41.4 percent of the total spending. However, the Programs have spent approximately 37.2 percent of the overall O&M budget through the first half of the fiscal year. The majority of the O&M budget is anticipated to be spent on City advertisements, promotions and website maintenance.
- Given its spending to date and accounting for anticipated changes in future spending patterns, the Programs are projected to spend within the FY 2003-04 Adjusted Budget by year-end.

Library Services

- The ***Library*** has spent \$5.2 million or 48.6 percent of its \$10.6 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 80 percent of the total spending and the Library has expended 46.9 percent of its personnel services budget through the second quarter. Personnel spending through fiscal year-end is expected to increase, as the Library anticipates hiring three staff for the new Cesar Chavez Library (opening during the second quarter) and Library Automation. Overtime spending is not significant, comprising

less than one percent of the Library's personnel services spending through the second quarter. Business shutdown implementation for the Library's Local 790 employees resulted in personnel cost savings of \$0.06 million. Savings resulting from an additional 3 percent retirement contributions by staff is expected to be \$0.15 million by year-end.

- *Operations & Maintenance* accounted for 20 percent of the total spending. The Library's O&M budget, which comprises 21 percent of the department total budget, is expected to be fully expended by the fiscal year end.
- Assuming the Library maintains its current spending pattern and accounting for anticipated changes, **the Library is projected to under-spend its FY 2003-04 Adjusted Budget by \$0.17 million by year-end.**

Parks & Recreation

- The **Parks & Recreation** department has spent \$6.6 million or 50.8 percent of its \$12.9 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 77.6 percent of the total spending. Parks & Recreation has expended 57.4 percent of its total budgeted personnel cost for the fiscal year. The department typically experiences a higher level of personnel costs during the first and second quarters of the fiscal year – when summer recreation programs are activated and public safety-related activities (e.g. tree removal) are incurred in response to weather conditions. Additionally, Parks & Recreation is currently overstaffed by 11 employees (full and part-time) – this situation may impact Park & Recreation's ability to keep its spending within its adjusted budget.
- Parks & Recreation has expended approximately \$27,000 in General Purpose Fund *overtime* and approximately \$118,000 at the All Funds level through the second quarter ended December 31. Overtime is projected to be approximately \$72,000 in the General Purpose Fund by year-end and \$320,000 at the All Funds level even though the department's budget does not include any overtime funding. Through the second quarter, overtime was incurred primarily by staff required to be on call to respond to situations involving public health or safety (e.g. tree service personnel).
- *Business shutdown* implementation through the second quarter for the Parks & Recreation resulted in \$0.05 million in personnel cost savings. Savings resulting from an additional 3 percent retirement contributions by employees are expected to be \$0.12 million by year-end.
- *Operations & Maintenance* accounted for 22.4 percent of the total spending through the second quarter. Park & Recreation has thus far spent 36.3 percent of its O&M budget, which is expected to be fully expended by fiscal year end due in part to the re-opening of the new Carmen Flores Recreation Center as well as spending on maintenance deferred until weather permits.
- Council appropriated (in the GPF) an additional \$0.42 million to the Parks & Recreation budget in FY 2003-04 for implementing the Parks Median Improvement Program in conjunction with the Public Works Agency (PWA). PWA is still in the process of hiring personnel and has purchased the card readers needed to track personnel for this program.

- In addition, Council appropriated \$0.40 million for FY 2003-04 (in a non-GPF fund) to Parks & Recreation for the Middle School Sports Program implementation. OPR has expended \$0.05 million or 11.9 percent of the appropriated budget through December 31. Year-end savings are expected, and will be carried forward into the next fiscal year to continue the program.
- Given its spending to date and accounting for anticipated changes in future spending patterns, **the Parks & Recreation department is projected to over-spend its FY 2003-04 Adjusted Budget in the GPF by \$0.43 million by year-end.** The over-spending is mainly explained by overstaffing and unbudgeted overtime spending.

Human Services

- The **Department of Human Service** (DHS) has spent \$2.35 million or 33.1 percent of its \$7.09 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 52.3 percent of the total spending, and DHS has spent 49.8 percent of the amount budgeted for personnel services for the fiscal year. DHS total overtime spending was approximately \$15,000 through the second quarter (including approximately \$3,000 in the GPF). Overtime, projected to be nearly \$29,000 (including over \$5,000 in the GPF) by fiscal year end, comprises less than 2 percent of DHS budgeted personnel services. Business shutdown implementation by DHS resulted in personnel cost savings of \$0.01 million. Savings resulting from an additional 3 percent retirement contribution by civilian employees is expected to be \$0.05 million by year-end.
- *Operations & Maintenance* accounted for 47.7 percent of the total spending. DHS has expended 26.6 percent of its O&M budgeted for FY 2003-04, which is expected to be fully expended by fiscal year end, due to spending on outside contracts to meet client service commitments and overhead recovery.
- Assuming DHS maintains its current spending level to date and accounting for anticipated changes in future spending patterns, **the DHS is projected to under-spend its FY 2003-04 Adjusted Budget by \$0.06 million.**

Community and Economic Development

- The **Community and Economic Development Agency** (CEDA) expended \$10.91 million (49.3 percent) of its \$22.12 million Adjusted Budget through the second quarter of FY 2003-04. Personnel Services expenditures accounted for 85.2 percent of total year-to-date spending. Expenditures at year-end are expected to reach \$22.65 million or 102.4 percent of adjusted current-year appropriation. CEDA has agreed to continue freezing as many existing vacancies as possible so not to exacerbate the overspending. CEDA is also reviewing available O&M appropriations to determine if savings can be garnered from freezing (or slowing down) outside contract services activity.
- *Personnel Services* expenditures are slightly ahead of budget, currently estimated at \$9.3 million or 53.3 percent of personnel appropriation. Year-end personnel services expenditures are projected to surpass appropriation. The anticipated savings from the 4-day business shutdown and 3 percent additional retirement contribution are included in this projection. Insufficient vacancies and overtime spending are the primary drivers of CEDA's projected over-expenditure in Personnel Services. CEDA proposes to maintain most existing vacancies for the remainder of the fiscal year to avoid exacerbating the anticipated over-expenditure.

- *Overtime* spending in the Planning and Zoning and Building Services divisions occurred during the first half of FY 2003-04 and is attributed to low vacancy levels, position reductions and unchanged workloads as compared to FY 2002-03. An undetermined level of overtime in Building Services is fee-reimbursed (developers pay premium fees to expedite plan check). However, this revenue has already been anticipated in the FY 2003-05 budget. CEDA is expected to expend \$0.46 million on overtime in the General Purpose Fund by the end of the fiscal year, although only \$0.33 million is budgeted in that fund. The All Funds overtime spending is projected to reach \$0.52 million by year-end, or \$0.19 million above the FY 2003-04 budget.
- CEDA expended \$1.61 million (including encumbrances) or 38.2 percent of its \$4.22 million current-year *Operations and Maintenance* appropriation during the first half of FY 2003-04. As is CEDA's historical spending pattern, it is projected to expend most of its GPF appropriation. CEDA is in the process of determining if savings can be garnered from delaying or eliminating outside services contracts in order to reduce its projected overage. Whatever project balances remain will likely be carried forward to FY 2004-05.

Public Works

- As of the end of December, the **Public Works Agency** has no non-CIP related expenditures in the General Purpose Fund. The Agency is on target to have \$200,000 in project-related Fund 1010 charges at the end of the year, thereby creating savings from the FY 2003-04 Adjusted Budget. Agency under-spending in this fund is primarily due to the implementation of the MacArthur / International Boulevard Streetscape Project, which will take place over multiple years.

Non-Departmental

- The **Non-Departmental** portion of the General Fund budget includes a variety of expenditures, notably lease payments, insurance premiums, public support for various organizations, overhead recoveries from other funds, and transfers to other funds (such as the Self-Insurance Liability, and the Kids First!).
- By the end of the second quarter, \$18.54 million, or 36.3 percent, of the adjusted FY 2003-04 Non-Departmental Budget in the General Purpose Fund was expended. The "revenue" portion of the Non-Departmental budget – the Central Service Overhead charge recovery - was on target to be fully collected by year-end, reflecting a 50 percent collection through the end of the second quarter.
- All other Non-Departmental components are expected to come in at budget; **overall spending is projected to be within its FY 2003-04 Adjusted Budget by year-end.**

Capital Improvement Program

The adopted FY 2003-04 General Purpose Fund budget includes only minor appropriations within the **Capital Improvement Program** (CIP), which are usually budgeted outside the General Purpose Fund (GPF). However, the FY 2003-04 Adjusted GPF budget for the CIP is \$1.28 million, derived from prior year unspent carryforwards. At the end of the second quarter, \$0.22 million, or 17.3 percent, of the total carry forward has been spent. At year-end, it is anticipated that \$0.76 million, or 59.4 percent, of the appropriation will be spent leaving \$0.53 million as carry forward into FY 04-05. The anticipated unspent balance is related to multi-year projects, including the replacement of the Permit and Code Enforcement Tracking System for CEDA and the MacArthur Boulevard / International Boulevard streetscape project.

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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 – but only cable TV has a separate fund supported by franchise fees. The Telecommunications Fund was established because cable TV fees are expended in a relatively restricted manner. Other franchise fees are spent on a variety of general governmental purposes, and so they accrue to the General Purpose Fund. Cable TV fees, on the other hand, are spent primarily on telecommunications: over 84 percent of funds appropriated from the Telecommunications Fund have gone to KTOP in the FY 2001-05 period. These fees, and the associated expenses, are accounted for in the Telecommunications Fund.

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.)

Service Charges (Franchise Fees)

Two quarterly payments have been received from Comcast, and the Telecommunications Fund 40-percent share is \$0.46 million. At this time, assuming no changes to the Comcast gross receipts in the remainder of the year,¹ **the year-end estimate is \$0.94 million, exceeding the budgeted amount by about \$90,000.**

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 2003-04, \$30,000 in project appropriations and non-project encumbrances was carried forward from FY 2002-03 in the Telecommunications Fund. This \$30,000 has been added to the Adjusted Budget on both the revenue and expenditure sides, and is assumed to be fully realized by year-end.

EXPENDITURE HIGHLIGHTS

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

¹ Comcast recently announced a 6.0 percent increase in its Bay Area rates, to be effective after the new year. However, the impact on Comcast's gross receipts from this rate increase is unclear, since the price rise may induce some of its customers to switch to satellite dishes. At this time, the Comcast franchise revenue projections do not take into account this increase.

The FY 2003-04 budget contains appropriations for two departments within the Telecommunications Fund: Cultural Arts and Marketing (KTOP) and the Oakland Public Library. The total appropriation is \$1.11 million of which \$1.06 million is dedicated to KTOP, the City of Oakland's public television station, and \$0.05 million is dedicated to the Public Library. Through the second quarter of FY 2003-04, approximately \$0.51 million, or 45.9 percent, has been obligated or spent.

Cultural Arts & Marketing

- The **CAM-KTOP** has spent \$0.49 million or 46.0 percent of its \$1.06 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 94 percent of the total spending. KTOP is authorized 10.9 FTEs within the telecommunications fund, and has on average stayed below the target through the second quarter. As a result of vacancies, KTOP is expected to under-spend its personnel services appropriations. Business shutdown implementation is expected to achieve only minimal savings, while the additional 3 percent retirement contribution by personnel will result in approximately \$0.02 million by year-end.
- *Operations & Maintenance* accounted for 6 percent of the total spending. The majority of spending is associated with supplies and equipment.
- Given its spending to date and accounting for anticipated changes in future spending patterns, **the KTOP is projected to slightly under-spend its FY 2003-04 Adjusted Budget by year-end.**

Oakland Public Library

- The **Library** has spent \$0.02 million or 42.8 percent of its \$0.05 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 100 percent of the total spending. The Public Library utilizes one position to help store and respond to requests for recorded Council, Boards and Commissions meetings. The Library has to date spent 45.6 percent of the personnel services budget, which is slightly less than the normal rate of spending.
- The *Operations & Maintenance* (O&M) budget is \$5,942, which has not been utilized through the first half of the fiscal year.
- Given its under utilization of the Operations & Maintenance budget, personnel services spending to date and accounting for anticipated changes in future spending patterns, **the Public Library is projected to slightly under-spend its FY 2003-04 Adjusted Budget by year-end.**

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. The Division monitors and enforces City policies that ensure local businesses and residents participate in City contracting, procurement and employment opportunities. It also monitors and enforces equity-related policies such as the Living Wage and Equal Benefits.

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

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

REVENUE HIGHLIGHTS

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

Service Charges (Assessments)

Revenue through the second quarter was \$0.68 million, which represents 113 percent of the FY 03-04 budget. **The year-end revenue is projected at \$0.73 million, assuming only minor additional assessments by year-end.** The \$0.73 million is \$0.13 million higher than the Adopted Budget estimate.

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 2003-04, \$20,000 in project appropriations and non-project encumbrances was carried forward from FY 2002-03 within the Contract Compliance Fund. This \$20,000 has been added to the Adjusted Budget on both the revenue and expenditure sides, and is assumed to be fully realized by year-end.

EXPENDITURE HIGHLIGHTS

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

The FY 2003-04 budget contains appropriations for two departments within the Contract Compliance Fund: City Manager's Office (Contract Compliance and Employment Services) and the City Attorney's Office. The total appropriation is \$1.14 million of which \$0.93 million is dedicated to Contract Compliance & Employment Services and \$0.21 million is dedicated to the

Attorney's Office. Through the second quarter approximately \$0.52 million, or 45.4 percent, has been obligated or spent.

City Manager's Office

- The **Contract Compliance and Employment Services** Program (the Program) has spent \$0.40 million or 43 percent of its \$0.93 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 92.5 percent of the total spending. The Program is authorized 10 FTEs within the Contract Compliance Fund, and has on average stayed within this target through the second quarter. The personnel services budget is \$0.82 million, of which \$0.34 million, or 41.9 percent, has been spent through the second quarter. If spending continues at this rate, the Program would under spend its personnel services budget. Under-spending of the personnel services budget is, in part, due to vacancies. The Business shutdown implementation has resulted in savings of approximately \$0.01 million; the additional retirement contribution will likely generate another \$0.01 million in savings by year-end.
- *Operations & Maintenance* accounted for 7.5 percent of the total spending. Supplies & materials and service expenditures account for the majority of spending. The O&M budget is \$0.11 million of which \$0.03 million, or 27 percent, has been obligated or spent.
- Given its spending to date and accounting for anticipated changes in future spending patterns, **the Program is projected to slightly under-spend its FY 2003-04 Adjusted Budget by year-end.**

City Attorney's Office

- The **Attorney's Office** has spent \$0.12 million or 56.1 percent of its \$0.21 million Adjusted Budget through the end of December 2003.
- *Personnel Services* accounted for 69.9 percent of the total spending. The Attorney's Office is authorized 1 FTE within the Contract Compliance Fund, and has on average stayed within this target through the second quarter. The personnel services budget is \$0.15 million of which \$0.08, or 53.2 percent, has been spent.
- *Operations & Maintenance* accounted for 30.1 percent of the total spending. Spending is associated with Departmental Overhead Cost Allocation. The Attorney's Office has thus far spent 53 percent of the O&M budget.
- Given its spending to date and accounting for anticipated changes in future spending patterns, **the Attorney's Office is projected to spend within its FY 2003-04 Adjusted Budget by year-end.**

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 accounts for 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 four of 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 insufficient revenues are being collected from user departments.

In FY 03-04, the Fund has \$16.0 million in new appropriations and only \$12.2 million in budgeted revenue, meaning that its operating deficit is approximately \$3.8 million. During FY 2003-05 budget deliberations, 17 FTE were eliminated, representing \$1.4 million.² Absent these reductions, the structural operating deficit would be even greater.

REVENUE HIGHLIGHTS

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

Internal Service, Miscellaneous and Fines & Penalties

Fines & Penalties and Miscellaneous revenue combined, through the second quarter, was \$0.14 million and Internal Services revenue was \$5.9 million, which together represent 50 percent of the FY 03-04 budget. **Overall, the year-end revenue in these three categories is projected at the budgeted level 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 2003-04, \$5.48 million in project appropriations and non-project encumbrances was carried forward from FY 2002-03 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 2003-04 – 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).

² It should be noted, however, that five out of the 17 deleted positions were subsequently added back to the PWA budget, through the existing O&M budget reallocation.

EXPENDITURE HIGHLIGHTS

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

The **Public Works Agency** has spent \$8.34 million or 45.8 percent of its \$18.22 million Adjusted Budget through the end of December 2003 (not including CIP projects). Ninety-eight percent of these expenditures were related to the Equipment Services Division, and the remainder is attributed to the PWA Administration, PWA Environmental Services Remediation, PWA Project Management Division, and miscellaneous erroneous charges from various departments, which will be removed.

Capital Improvement Program spending to-date in the Equipment Fund has been only 2.1 percent of the total adjusted budget, but will increase substantially in the second half of the year as the computerized Fleet Management System is implemented.

Equipment Services Division

- The **Equipment Services Division** has spent \$8.20 million or 45.6 percent of its \$17.98 million Adjusted Budget through the end of December 2003.
- **Personnel Services** spending was \$2.85 million, or 51.4 percent of the annual personnel budget, and accounted for 34.8 percent of the total spending. Business shutdown savings, along with the additional 3.0 percent retirement contributions by staff, will ultimately reduce annual personnel expenditures by approximately 1.7 percent. Overtime spending was above budget at \$11,827, and this rate of spending is not expected to increase. Overall, personnel-related spending is expected to be over-budget by approximately \$115,000 by year end. However, this amount will be made up by under-spending in Operations & Maintenance.
- **Operations & Maintenance** in the second quarter was \$5.35 million, the majority of which was related to the payment of the two vehicle lease bonds. Year-end Operation and Maintenance expenditures are estimated to be \$10.56 million.

Capital Improvement Program

- To-date, only \$66,000 has been spent on major **Capital Improvement Projects**, and an additional \$500,000 is anticipated to be spent by year-end. This is well below the \$3.21 million Adjusted CIP budget within this fund. Projects expected to be undertaken during the 2003-04 fiscal year include:
 - \$90,000 for the Maximus evaluation of the City's Equipment Services Division
 - \$73,000 for security at 5050 Coliseum Way (the Heavy Equipment Shop).
 - \$400,000 for the new Computerized Fleet Management System

Given spending to date and accounting for anticipated changes in future spending patterns, the Equipment Fund's FY 2003-04 Adjusted Budget is projected to be considerably under-spent by year-end. The under-spending is mainly explained by project budgets that will not be spent in this fiscal year, for example, in the "vehicle purchase" project, which has a large appropriation that will be spent over the course of several years.

Total year-end spending in the Equipment Fund will be \$16.79 million, or 78.4 percent of the total adjusted budget. However, because the carryforward portion of the Equipment

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fund revenue will not be fully collected as well, the fund is projected to borrow \$3.87 million from the fund balance by year-end – in line with the amount authorized in the FY 2003-04 Adopted 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 the Police Administration Building, fire stations, Civic Center Complex, and various other City offices and facilities. 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 recreational facilities.

REVENUE BACKGROUND

Over the past several years, the Facilities Fund, similar to the Equipment Fund (and for same reasons), has had budgeted appropriations greater than budgeted revenues, and actual expenditures greater than actual revenues. For FY 2003-04, budgeted new revenue is \$15.0 million, while budgeted expenditures are \$18.3 million, creating an additional operating deficit.

To address the structural deficit, during the FY 2003-05 budget deliberation process, 20 FTE totaling approximately \$1,465,447 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.)

Service Charges and Internal Service Revenues

Service Charges through the second quarter were at \$0.2 million, which represents 56 percent of the \$0.36 million budget. Internal Service charges were \$7.5 million, representing 52 percent of budget. By year-end, the combination of **Service Charges and Internal Service Charges are projected to be on target with the \$14.99 million budget.**

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 2003-04, \$0.91 million in project appropriations and non-project encumbrances were carried forward from FY 2002-03 in the Facilities Fund. This \$0.91 million has been added to the Adjusted Budget on both the revenue and expenditure sides, and is assumed to be fully realized by year-end.

EXPENDITURE HIGHLIGHTS

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

The **Public Works Agency** has spent \$8.88 million or 47.6 percent of its \$18.68 million Adjusted Fund 4400 Budget through the end of December 2003. Over 94 percent of these expenditures were related to the Facilities Management and Maintenance Division, and the remainder is mainly attributed to the PWA Electrical Energy Unit and the PWA Director's Office.

There have been no expenditures to-date in the Facilities Fund's **Capital Improvement Program**. Spending on capital projects will account for a negligible amount of total year-end Facilities Fund spending.

Facilities Management and Maintenance

- The **Facilities Management and Maintenance Division** has spent \$8.42 million or 47.7 percent of its \$17.65 million Adjusted Budget through the end of December 2003.
- *Personnel Services* spending was at 47.5 percent of the total personnel budget, and accounted for 51.7 percent of the total spending. Overtime spending is at \$51,154 or 82.4 percent of budgeted overtime. This was primarily due to the need to provide maintenance and custodial services at the new Eastmont Police Administration building. Overtime spending is expected to continue at the same rate.
- The four-day business shutdown has generated approximately \$50,000 in savings. These, along with savings from the additional 3.0 percent retirement contributions from employees, will generate a total personnel savings of 1.7 percent by year-end.
- *Operations & Maintenance* accounted for 48.3 percent of the total spending. Operations and maintenance spending is relatively greater in this fund than in most others, due to the nature of the work performed by the Facilities Management and Maintenance Division.

Capital Improvement Projects

- The Facilities Fund has only two **Capital Improvement Projects** budgeted, neither of which have expenditures to-date. However, the CIP project to replace the HVAC System in Edgewater-Building 2 is currently being put out to bid, so a small amount of CIP expenditures are anticipated by year-end.

Spending in the Facilities Fund is typically higher in the second half of the year, due to the fact that invoices tend to be received at the end of the year. Given spending to date and accounting for anticipated changes in future spending patterns, **the Facilities Fund's FY 2003-04 Adjusted Budget is projected to be underspent by \$.94 million by year-end, mainly due to underspending in capital projects, as well as savings in personnel costs.**

F. OVERTIME SPENDING

MAJOR OBSERVATIONS

Attachment F provides details on the overtime spending through December 2003, as well as year-end projected results, by agency / department, for the General Purpose Fund and all funds.

Major overspending by the end of FY 2003-04 (at the all funds level) is projected in Police, Fire, Public Works, CEDA and OPR. However, Fire and PWA will manage to balance their overtime overspending with savings in other categories, therefore staying within their overall budget appropriations. In Police, CEDA and OPR, on the other hand, overtime overspending will lead to the overall budget overspending by the end of this fiscal year.

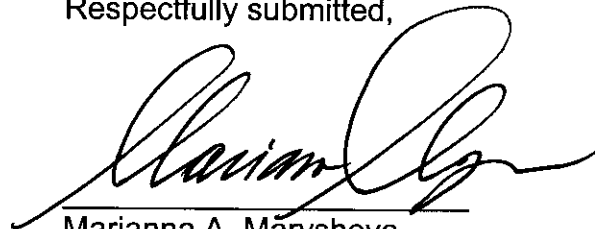
Year-end overspending is projected in some other agencies / departments as well – however, in most cases such overspending will be covered by savings elsewhere by year-end.

CONCLUSION / RECOMMENDATION

This report is for informational purposes and requires no Council action at this time. However, the extent to which individual agencies and department fail to meet their FY 2003-04 budget appropriations, or anticipated year-end revenue collection deviates from the FY 2003-04 budget, will impact the availability of resources available through the end of this fiscal year, and may require Council action. Staff will continue monitoring City's revenue collection and spending, and return to the Council with recommendations for corrective actions, if necessary.

Staff recommends that the City Council accept this report.

Respectfully submitted,



Marianna A. Marysheva
Budget Director

APPROVED FOR FORWARDING TO THE
FINANCE AND MANAGEMENT COMMITTEE



OFFICE OF THE CITY MANAGER

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)*

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)
GENERAL PURPOSE FUND REVENUES (\$ in millions)

| Revenue Category | FY 2003-03 2nd Qtr Adjusted Budget | FY 2002-03 2nd Qtr Actuals | FY 2002-03 Percent To Date | FY 2002-03 Year-End Actuals | FY 2003-04 Adopted Budget | FY 2003-04 2nd Qtr Adjusted Budget | FY 2003-04 2nd Qtr Actuals | FY 2003-04 Percent To Date | FY 2003-04 Year-End Estimate | Year-End \$ Over / (Under) Adj. Bud. | Explanation of Over / (Under) Collection | Yr-to-Yr Growth 02 to 03 |
|------------------------------------|---|----------------------------------|----------------------------------|-----------------------------------|---------------------------------|---|----------------------------------|----------------------------------|------------------------------------|---|---|--------------------------------|
| PROPERTY TAXES | \$85.16 | \$33.48 | 51.4% | \$66.01 | \$71.64 | \$71.64 | \$36.90 | 51.5% | \$71.17 | (\$0.47) | Slightly under based on 1st installment payment (in Dec) | 10.2% |
| STATE TAXES AND RECEIPTS | | | | | | | | | | | | |
| Sales Tax | 41.24 | 18.54 | 45.0% | 38.25 | 37.01 | 37.01 | 20.12 | 54.4% | 39.24 | 2.23 | Strong 2Q expected to continue | 8.55% |
| Vehicle License Fee (VLF) Tax | 7.04 | 3.73 | 53.0% | 7.46 | 7.68 | 7.68 | 3.74 | 48.8% | 7.49 | (0.19) | Slightly under budget based on actual receipts | 0.4% |
| Vehicle License Fee (VLF) Backfill | 14.01 | 8.40 | 60.0% | 16.80 | 8.50 | 8.50 | 3.04 | 35.7% | 9.73 | 1.23 | 50% backfill was budgeted; ~57% anticipated | -63.8% |
| Subtotal | 62.29 | 30.67 | 49.2% | 62.51 | 53.19 | 53.19 | 26.90 | 50.6% | 56.46 | 3.27 | | -12.3% |
| LOCAL TAXES | | | | | | | | | | | | |
| Business License Tax | 43.88 | 3.93 | 9.0% | 42.02 | 42.84 | 42.84 | 2.70 | 6.3% | 42.84 | 0.00 | Majority of revenue to be received in 3Q; project at budget | -31.3% |
| Utility Consumption Tax | 49.95 | 24.55 | 49.1% | 46.58 | 53.55 | 53.55 | 23.31 | 43.5% | 46.89 | (6.66) | Energy and telecom down from 02-03; electricity prices to fall | -5.1% |
| Real Estate Transfer Tax | 32.50 | 20.61 | 63.4% | 42.09 | 38.00 | 38.00 | 26.19 | 68.9% | 47.00 | 9.00 | Strong growth based on YTD receipts; however, slowdown expected in 2nd half | 27.1% |
| Transient Occupancy Tax | 10.05 | 6.16 | 61.3% | 10.56 | 10.26 | 10.26 | 5.22 | 50.9% | 9.90 | (0.36) | Hotel occupancy rates and room rates are down. | -15.3% |
| Parking Tax | 6.64 | 3.86 | 58.1% | 8.24 | 7.94 | 7.94 | 4.41 | 55.5% | 9.12 | 1.18 | Continues growth from 4th quarter of 02-03. | 14.4% |
| Subtotal | 143.02 | 59.10 | 41.3% | 149.49 | 152.59 | 61.83 | 61.83 | 40.5% | 155.75 | 3.16 | | 4.6% |
| LICENSES & PERMITS | 11.66 | 6.42 | 55.1% | 12.98 | 13.90 | 13.90 | 6.48 | 46.6% | 13.97 | 0.07 | Approx. at budget; continues to show year-to-year growth | 0.9% |
| FINES & PENALTIES | 19.70 | 9.53 | 48.4% | 16.90 | 26.24 | 26.24 | 11.41 | 43.5% | 24.70 | (1.54) | Abandoned vehicle citation, other parking fine under-collection. | 19.7% |
| INTEREST INCOME | 3.81 | 0.33 | 8.7% | (0.74) | 1.90 | 1.90 | 0.57 | 30.0% | 1.60 | (0.30) | \$1.6M reflects a net year-end amount, after offsetting a larger positive with disallowed negative interest transfers from other (mostly grant) funds | 72.8% |
| SERVICE CHARGES | 54.42 | 16.30 | 29.9% | 45.79 | 54.47 | 54.47 | 19.29 | 35.4% | 55.97 | 1.50 | Under-collection of parking meter revenue and Misc charges nets against Port payment for prior years. | 18.4% |
| GRANTS & SUBSIDIES | 0.62 | 0.43 | 69.9% | 0.48 | 0.11 | 0.11 | 0.01 | 6.4% | 0.11 | 0.00 | | -98.4% |
| MISCELLANEOUS | 10.39 | 2.44 | 23.5% | 15.47 | 6.77 | 6.77 | 3.30 | 48.7% | 11.27 | 4.50 | Over budget due to one-time, unanticipated revenues | 35.1% |
| FUND TRANSFERS | 7.61 | 0.00 | 0.0% | 6.68 | 6.30 | 6.30 | 3.15 | 50.0% | 6.30 | 0.00 | | 100.0% |
| SUBTOTAL | \$378.67 | \$158.71 | 0.0% | \$375.57 | \$387.11 | \$387.11 | \$169.84 | 43.9% | \$397.30 | \$10.19 | | 7.0% |
| CARRYFORWARDS | 13.81 | 13.81 | 100.0% | 13.96 | 0.00 | 10.86 | 10.86 | 100.0% | 10.86 | 0.00 | | -21.4% |
| TOTAL | \$392.48 | \$172.52 | 44.0% | \$389.53 | \$387.11 | \$397.97 | \$180.70 | 45.0% | \$408.16 | \$10.19 | | 4.7% |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS

Second Quarter (July 1 through Dec 31, 2003)

GENERAL PURPOSE FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2002-03 2nd Qtr Adjusted Budget | FY 2002-03 2nd Qtr Actuals | FY 2002-03 Percent To Date | FY 2003-04 2nd Qtr Adjusted Budget | FY 2003-04 2nd Qtr Actual Spending | FY 2003-04 Percent To Date | FY 2003-04 Combined Local 760 Local 21 and Unimp Savings | FY 2003-04 Year-End Estimate | Year-End \$ (Over) / Under | Explanation of (Over)spending / Savings | Yr-to-Yr Growth Q2 to Q2 |
|---------------------------------|---|----------------------------------|----------------------------------|---|---|----------------------------------|--|------------------------------------|----------------------------------|--|--------------------------------|
| MAYOR | \$1.12 | \$0.68 | 61.6% | \$1.62 | \$0.85 | 52.4% | \$0.00 | 1.62 | \$0.00 | Estimated Over-spending on Personnel Services | 23.3% |
| CITY COUNCIL | 2.54 | 1.26 | 49.6% | 2.22 | 0.92 | 41.6% | 0.06 | 2.22 | (0.02) | | -26.7% |
| CITY MANAGER | 1.98 | 0.71 | 35.9% | 1.54 | 0.67 | 43.4% | 0.04 | 1.54 | (0.00) | | -6.1% |
| Administration | 3.72 | 1.74 | 46.8% | 3.84 | 1.89 | 49.4% | 0.08 | 3.84 | (0.00) | | 8.9% |
| Citywide Support | 5.70 | 2.45 | 43.0% | 5.37 | 2.56 | 47.7% | 0.12 | 5.38 | (0.01) | | 4.5% |
| Subtotal City Manager | 1.64 | 0.70 | 42.7% | 2.28 | 0.80 | 35.2% | 0.03 | 2.28 | (0.00) | | 14.9% |
| CITY CLERK | 5.92 | 3.13 | 52.9% | 7.31 | 3.58 | 49.0% | 0.16 | 7.31 | (0.00) | Assumes overhead recoveries | 14.3% |
| CITY ATTORNEY | 0.94 | 0.56 | 59.6% | 0.98 | 0.56 | 57.2% | 0.02 | 0.98 | (0.00) | | 0.1% |
| CITY AUDITOR | 7.86 | 3.58 | 45.5% | 7.71 | 3.62 | 46.9% | 0.13 | 7.68 | 0.03 | Anticipated Salary Savings | 1.1% |
| FINANCE & MANAGEMENT (FMA) | 3.19 | 2.06 | 64.6% | 3.58 | 1.86 | 52.4% | 0.08 | 3.67 | (0.09) | Estimated Salary Overspending | -9.0% |
| Information Technology | 13.28 | 6.15 | 46.3% | 17.19 | 8.01 | 46.6% | 0.28 | 15.58 | 0.50 | Anticipated O&M savings | 30.2% |
| Personnel Resource Management | 24.33 | 11.79 | 48.5% | 28.48 | 13.50 | 47.4% | 0.49 | 28.05 | 0.43 | | 14.5% |
| Financial Services | 144.12 | 69.19 | 48.0% | 149.31 | 79.15 | 53.0% | 0.34 | 159.72 | (10.41) | Deficit spending primarily in Sworn/Civilian salaries, retirement, sworn overtime, 17 sworn positions overfilled, a few civilian positions over budget. | 14.4% |
| Subtotal FMA | 82.71 | 35.89 | 43.4% | 87.54 | 43.83 | 50.1% | 0.11 | 87.54 | 0.00 | | 22.1% |
| POLICE SERVICES | 5.62 | 3.11 | 55.3% | 5.54 | 3.11 | 56.1% | 0.03 | 5.88 | (0.34) | Salary (in Alice Arts) and Overtime Overspending | 0.1% |
| FIRE SERVICES | 1.75 | 1.02 | 58.3% | 1.01 | 0.48 | 47.3% | 0.00 | 0.94 | 0.07 | Anticipated O&M savings | -53.2% |
| CULTURAL ARTS & MARKETING (CAM) | 0.85 | 0.33 | 38.9% | 0.66 | 0.29 | 43.6% | 0.00 | 0.65 | 0.00 | | -26.6% |
| Museum | 8.22 | 4.52 | 55.0% | 7.21 | 3.88 | 53.7% | 0.03 | 7.48 | (0.27) | | -14.3% |
| Public Art & Cultural Funding | 10.19 | 5.03 | 49.4% | 10.61 | 5.16 | 48.6% | 0.21 | 10.45 | 0.17 | Savings due to the additional 3% retirement contribution and unfilled vacancies. Assumes all O&M is expended. Library anticipates hiring three employees to fill current vacancies. | 2.6% |
| Marketing & Special Events | 12.41 | 6.09 | 49.1% | 12.90 | 6.56 | 50.8% | 0.16 | 13.34 | (0.43) | Overspending is driven by personnel costs and unbudgeted overtime. OPR is overstarved by 11 positions. Deficit may be reduced in part by transfer of some part-time personnel expenditures to Fund 2310 to the extent allowable. | 7.7% |
| Subtotal CAM | 4.73 | 1.88 | 39.7% | 7.09 | 2.35 | 33.1% | 0.06 | 7.03 | 0.06 | | 25.0% |
| LIBRARY SERVICES | 23.54 | 10.27 | 43.6% | 22.12 | 10.91 | 49.3% | 0.39 | 22.65 | (0.53) | Overspending is attributed to personnel costs, mainly overtime. | 6.2% |
| PARKS & RECREATION | 0.42 | 0.56 | 133.3% | 0.48 | 0.00 | 0.0% | 0.00 | 0.20 | 0.28 | Under-spending is primarily due to the implementation of the MacArthur / International Boulevard Streetscape Project, which will take place over multiple years. | N/A |
| HUMAN SERVICES | 62.71 | 30.29 | 48.3% | 51.09 | 18.54 | 36.3% | 0.00 | 61.08 | 0.00 | | -38.8% |
| COMM & ECON DEVELOPMENT | 399.46 | 188.82 | 47.3% | 396.62 | 193.15 | 48.7% | 2.19 | 407.35 | (10.73) | Anticipated CF of projects that are not planned for completion by year end, including CEDA's PERTS, PWA's International/MacArthur Streetscape, and the Necklace of Lights | 2.3% |
| PUBLIC WORKS | 3.32 | 0.77 | 0.0% | 1.28 | 0.22 | 17.3% | 0.00 | 0.76 | 0.53 | | N/A |
| NON-DEPARTMENTAL | | | | | | | | | | | |
| SUBTOTAL | 402.78 | 188.59 | 47.1% | 387.04 | 193.37 | 49.9% | 2.19 | 408.11 | (10.51) | | 2.6% |
| CAPITAL IMPROVEMENT PROGRAM | | | | | | | | | | | |
| TOTAL | | | | | | | | | | | |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)

TELECOMMUNICATIONS FUND REVENUES (\$ in millions)

| Revenue Category | FY 2002-03 2nd Qtr Adjusted Budget | FY 2002-03 2nd Qtr Actuals | FY 2002-03 Percent To Date | FY 2002-03 Year-End Actuals | FY 2003-04 Adopted Budget | FY 2003-04 2nd Qtr Adjusted Budget | FY 2003-04 2nd Qtr Actuals | FY 2003-04 Percent To Date | FY 2003-04 Year-End Estimate | Year-End \$ Over / (Under) Adj. Bud. | Explanation of Over / (Under) Collection | Yr-to-Yr Growth Q2 to Q2 |
|------------------|---|----------------------------------|----------------------------------|-----------------------------------|---------------------------------|---|----------------------------------|----------------------------------|------------------------------------|---|--|--------------------------------|
| INTEREST INCOME | 0.02 | 0.00 | 0.0% | (0.02) | (0.02) | 0.00 | 0.00 | N/A | 0.00 | 0.00 | | N/A |
| SERVICE CHARGES | 0.79 | 0.19 | 24.1% | 0.87 | 0.85 | 0.85 | 0.46 | 54.1% | 0.94 | 0.09 | Higher year-end actuals based on YTD collections | 142.1% |
| SUBTOTAL | \$0.81 | \$0.19 | 23.5% | \$0.85 | \$0.83 | \$0.85 | \$0.46 | 54.1% | \$0.94 | \$0.09 | | 142.1% |
| CARRYFORWARDS | (0.16) | (0.16) | 100.0% | (0.16) | 0.00 | 0.03 | 0.03 | 100.0% | 0.03 | 0.00 | | N/A |
| TOTAL | \$0.66 | \$0.03 | 4.6% | \$0.69 | \$0.83 | \$0.88 | \$0.49 | 58.7% | \$0.97 | \$0.09 | | 153.1% |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)
TELECOMMUNICATIONS FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2002-03 2nd Qtr Adjusted Budget | FY 2002-03 2nd Qtr Actuals | FY 2002-03 Percent To Date | FY 2002-03 Year-End Actuals | FY 2003-04 Adopted Budget | FY 2003-04 2nd Qtr Adjusted Budget | FY 2003-04 2nd Qtr Actual Spending | FY 2003-04 Percent To Date | FY 2003-04 Combined Local / 790, Unrep Savings | FY 2003-04 Year-End Estimate | Year-End \$ (Over) / Under | Explanation of (Overspending) / Savings | Yr-to-Yr Growth Q2 to Q2 |
|---------------------------------|---|----------------------------------|----------------------------------|-----------------------------------|---------------------------------|---|---|----------------------------------|--|------------------------------------|----------------------------------|--|--------------------------------|
| FINANCE & MANAGEMENT | | | | | | | | | | | | | |
| Information Technology | 0.08 | 0.01 | 12.5% | 0.08 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | (0.00) | | N/A |
| Subtotal Finance & Management | 0.08 | 0.01 | 12.5% | 0.08 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | (0.00) | | N/A |
| CULTURAL ARTS & MARKETING | 0.74 | 0.47 | 63.5% | 1.01 | 1.03 | 1.06 | 0.49 | 46.0% | 0.02 | 1.00 | 0.07 | Anticipated Salary savings | 4.2% |
| LIBRARY SERVICES | 0.04 | 0.02 | 50.0% | 0.05 | 0.05 | 0.05 | 0.02 | 42.8% | 0.00 | 0.04 | 0.01 | Anticipated Salary savings | -1.9% |
| SUBTOTAL | 0.80 | 0.50 | 62.5% | 1.14 | 1.08 | 1.11 | 0.51 | 45.9% | 0.02 | 1.04 | 0.07 | | 1.9% |
| CAPITAL IMPROVEMENT PROGRAM | (0.17) | 0.00 | N/A | 0.00 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | 0.00 | | N/A |
| TOTAL | 0.63 | 0.50 | 79.4% | 1.14 | 1.08 | 1.11 | 0.51 | 45.9% | 0.02 | 1.04 | 0.07 | | 1.9% |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)

CONTRACT COMPLIANCE FUND REVENUES (\$ in millions)

| Revenue Category | FY 2002-03 | | | FY 2002-03 | | | FY 2003-04 | | | FY 2003-04 Adopted Budget | FY 2003-04 2nd Qtr Adjusted Budget | FY 2003-04 2nd Qtr Actuals | FY 2003-04 Percent To Date | FY 2003-04 Year-End Estimate | Year-End \$ Over / (Under) Adj. Bud. | Explanation of Over / (Under) Collection | Yr-to-Yr Growth Q2 to Q2 |
|------------------|-------------------------------|--------------------|--------------------|---------------------|---------------------|--------------------|----------------------|---------------|---------------|---------------------------------|---|----------------------------------|----------------------------------|------------------------------------|---|---|--------------------------------|
| | 2nd Qtr Adjusted Budget | 2nd Qtr Actuals | Percent To Date | Year-End Actuals | Year-End Actuals | Percent To Date | Year-End Estimate | | | | | | | | | | |
| INTEREST INCOME | 0.00 | 0.00 | N/A | (0.15) | | | 0.00 | 0.00 | 0.00 | | | | | 0.00 | | | 0.0% |
| SERVICE CHARGES | 1.96 | 0.44 | 22.4% | 1.12 | | | 0.60 | 0.68 | 113.3% | | | | | 0.73 | 0.13 | Projected over-collection based on YTD results and outstanding eligible contracts | 54.5% |
| SUBTOTAL | \$1.96 | \$0.44 | 22.4% | \$0.97 | | | \$0.60 | \$0.68 | 113.3% | | | | | \$0.73 | \$0.13 | | 54.5% |
| CARRYFORWARDS | 0.00 | 0.00 | N/A | 0.00 | | | 0.00 | 0.02 | 100.0% | | | | | 0.02 | 0.00 | | N/A |
| TOTAL | \$1.96 | \$0.44 | 22.4% | \$0.97 | | | \$0.60 | \$0.70 | 113.0% | | | | | \$0.75 | \$0.13 | | 58.3% |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)

CONTRACT COMPLIANCE FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2002-03 | | FY 2002-03 | | FY 2002-03 | | FY 2003-04 | | FY 2003-04 | | FY 2003-04 | | FY 2003-04 | | FY 2003-04 | | FY 2003-04 | | Yr-to-Yr | |
|-----------------------|------------|---------|------------|---------|------------|----------|------------|---------|------------|---------|------------|----------|------------|---------|------------|---------|------------|----------|-----------|--|
| | 2nd Qtr | Actuals | Adjusted | Actuals | Percent To | Year-End | 2nd Qtr | Actuals | Adjusted | Actuals | Percent To | Year-End | 2nd Qtr | Actuals | Adjusted | Actuals | Percent To | Year-End | Growth Q2 | |
| | Actuals | Budget | Budget | Actuals | Date | Actuals | Budget | Budget | Budget | Date | Actuals | Actuals | Budget | Budget | Budget | Budget | Date | Actuals | To Q2 | |
| CITY MANAGER | | | | | | | | | | | | | | | | | | | | |
| Citywide Support | 0.63 | 0.39 | 0.39 | 0.619% | 61.9% | 0.82 | 0.91 | 0.93 | 0.40 | 43.0% | 0.83 | 0.83 | 0.02 | 0.02 | 0.02 | 0.83 | 0.09 | 0.09 | 2.1% | |
| Subtotal City Manager | 0.63 | 0.39 | 0.39 | 61.9% | 0.82 | 0.91 | 0.93 | 0.40 | 43.0% | 0.83 | 0.83 | 0.02 | 0.02 | 0.02 | 0.83 | 0.09 | 0.09 | 2.1% | | |
| CITY ATTORNEY | | | | | | | | | | | | | | | | | | | | |
| CITY ATTORNEY | 0.18 | 0.09 | 0.09 | 50.0% | 0.18 | 0.21 | 0.21 | 0.12 | 56.1% | 0.21 | 0.21 | 0.00 | 0.00 | 0.00 | 0.21 | 0.00 | 0.00 | 30.6% | | |
| TOTAL | 0.81 | 0.48 | 0.48 | 59.3% | 1.00 | 1.12 | 1.14 | 0.52 | 45.4% | 1.04 | 1.04 | 0.02 | 0.02 | 0.02 | 1.04 | 0.10 | 0.10 | 7.6% | | |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)

EQUIPMENT FUND REVENUES (\$ in millions)

| Revenue Category | FY 2002-03 | | | FY 2002-03 | | | FY 2003-04 | | | Year-End \$ Over / (Under) Adj. Bnd. | Explanation of Over / (Under) Collection | Yr-to-Yr Growth Q2 to Q2 |
|----------------------|-------------------------------|--------------------|--------------------|---------------------------------|---|-----------------------------------|----------------------------------|----------------------------------|------------------------------------|---|---|--------------------------------|
| | 2nd Qtr Adjusted Budget | 2nd Qtr Actuals | Percent To Date | FY 2002-03 Adopted Budget | FY 2002-03 2nd Qtr Adjusted Budget | FY 2002-03 Year-End Actuals | FY 2003-04 2nd Qtr Actuals | FY 2003-04 Percent To Date | FY 2003-04 Year-End Estimate | | | |
| FINES & PENALTIES | 0.11 | 0.03 | 27.3% | 0.09 | 0.09 | 0.03 | 0.05 | 55.6% | 0.09 | 0.00 | 66.7% | |
| INTEREST INCOME | 0.00 | 0.06 | N/A | 0.00 | 0.00 | 0.26 | 0.00 | N/A | 0.00 | 0.00 | 0.0% | |
| GRANTS & SUBSIDIES | 0.00 | 0.41 | N/A | 0.00 | 0.00 | 0.41 | 0.00 | N/A | 0.00 | 0.00 | -100.0% | |
| INTERNAL SERVICE | 14.55 | 3.90 | 26.8% | 11.75 | 11.75 | 11.68 | 5.91 | 50.3% | 11.75 | 0.00 | 51.5% | |
| MISCELLANEOUS | 0.32 | 0.08 | 25.0% | 0.32 | 0.32 | 0.29 | 0.09 | 28.1% | 0.32 | 0.00 | 12.5% | |
| FUND TRANSFERS | 4.65 | 0.00 | 0.0% | 0.00 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | N/A | |
| SUBTOTAL | \$19.63 | \$4.48 | 22.8% | \$12.16 | \$12.16 | \$12.67 | \$6.05 | 49.8% | \$12.16 | \$0.00 | 35.0% | |
| CARRYFORWARDS | 4.71 | 4.71 | 100.0% | 0.00 | 5.48 | 4.71 | 0.26 | 4.7% | 0.76 | (4.72) | -94.5% | |
| TOTAL | \$24.34 | \$9.19 | 37.8% | \$12.16 | \$17.64 | \$17.38 | \$6.31 | 35.8% | \$12.92 | (\$4.72) | -31.3% | |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)
EQUIPMENT FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2002-03 2nd Qtr Adjusted Budget | FY 2002-03 2nd Qtr Actuals | FY 2002-03 Percent To Date | FY 2002-03 Year-End Actuals | FY 2003-04 Adopted Budget | FY 2003-04 2nd Qtr Adjusted Budget | FY 2003-04 2nd Qtr Actual Spending | FY 2003-04 Percent To Date | FY 2003-04 Combined Local 780, Local 21 and Unmp Savings | FY 2003-04 Year-End Estimate | Year-End \$(Over)/ Under | Explanation of (Overspending) / Savings | Yr-to-Yr Growth Q2 to Q2 |
|------------------------------------|---|----------------------------------|----------------------------------|-----------------------------------|---------------------------------|---|---|----------------------------------|--|------------------------------------|--------------------------------|---|--------------------------------|
| FINANCE & MANAGEMENT | | | | | | | | | | | | | |
| Finance | 0.00 | 0.02 | N/A | 0.06 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | 0.00 | | -86.9% |
| Subtotal Finance & Management | 0.00 | 0.02 | N/A | 0.06 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | 0.00 | | -86.9% |
| PUBLIC WORKS | | | | | | | | | | | | | |
| | 21.69 | 8.52 | 39.3% | 15.95 | 15.96 | 18.22 | 8.34 | 45.8% | 0.10 | 16.22 | 2.00 | \$1.7 m encumbered for lease payments that will not be spent in this FY; \$365,000 in PWA projects that will not be spent in this FY. Personnel will be overspent by \$115,000. | -2.1% |
| NON-DEPARTMENTAL | | | | | | | | | | | | | |
| SUBTOTAL | 0.00 | 0.02 | N/A | 0.60 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | 0.00 | | N/A |
| CAPITAL IMPROVEMENT PROGRAM | | | | | | | | | | | | | |
| | 21.69 | 7.27 | 0.04 | 3.11 | 15.96 | 18.22 | 8.34 | 45.8% | 0.10 | 16.22 | 2.00 | Many CIP projects carried forward from previous years will not be completed | 65.6% |
| TOTAL | 23.69 | 8.60 | 28.7% | 19.72 | 15.96 | 21.44 | 8.41 | 39.2% | 0.10 | 16.79 | 4.64 | | -2.2% |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)

FACILITIES FUND REVENUES (\$ in millions)

| Revenue Category | FY 2002-03 2nd Qtr Adjusted Budget | FY 2002-03 2nd Qtr Actuals | FY 2002-03 Percent To Date | FY 2002-03 Year-End Actuals | FY 2003-04 Adopted Budget | FY 2003-04 2nd Qtr Adjusted Budget | FY 2003-04 2nd Qtr Actuals | FY 2003-04 Percent To Date | FY 2003-04 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 | (0.13) | N/A | (0.25) | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | | 0.0% |
| SERVICE CHARGES | 0.00 | 0.24 | N/A | 0.49 | 0.36 | 0.36 | 0.20 | 55.6% | 0.36 | 0.00 | | -16.7% |
| INTERNAL SERVICE | 19.96 | 5.02 | 25.2% | 15.10 | 14.63 | 14.63 | 7.54 | 51.5% | 14.63 | 0.00 | | 50.2% |
| MISCELLANEOUS | 0.00 | 0.71 | N/A | 0.71 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | | -100.0% |
| FUND TRANSFERS | (1.23) | 0.00 | N/A | 0.00 | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | | N/A |
| SUBTOTAL | \$18.73 | \$5.84 | 31.2% | \$16.05 | \$14.99 | \$14.99 | \$7.74 | 51.6% | \$14.99 | \$0.00 | | 32.5% |
| CARRYFORWARDS | 0.26 | 0.26 | 100.0% | 0.26 | 0.00 | 0.92 | 0.92 | 100.0% | 0.92 | 0.00 | | 251.9% |
| TOTAL | \$18.99 | \$6.10 | 32.1% | \$16.31 | \$14.99 | \$15.91 | \$8.66 | 54.4% | \$15.91 | \$0.00 | | 41.9% |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)
FACILITIES FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2002-03 2nd Qtr Adjusted Actuals Budget | FY 2002-03 Percent To Date | FY 2002-03 Year-End Actuals | FY 2003-04 FY 2003-04 2nd Qtr Actual Spending | FY 2003-04 Percent To Date | FY 2003-04 Combined Local 190, Local 21 and Unrep Savings | FY 2003-04 Year-End Estimate | Year-End \$ (Over) Under | Explanation of (Overspending) / Savings | Yr-to-Yr Growth Q2 to Q2 | | |
|-----------------------------|--|----------------------------------|-----------------------------------|---|----------------------------------|---|------------------------------------|--------------------------------|---|--------------------------------|---|--------------|
| PUBLIC WORKS | 19.23 | 7.65 | 39.8% | 17.55 | 18.06 | 8.88 | 47.5% | 0.17 | 17.96 | 0.72 | \$180,000 in projects will not be spent. \$340,000 in personnel not spent. \$200,000 in O&M not spent. | 16.1% |
| NON-DEPARTMENTAL | 0.00 | 0.00 | N/A | 0.00 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | 0.00 | | N/A |
| SUBTOTAL | 19.23 | 7.65 | 39.8% | 17.55 | 18.06 | 8.88 | 47.5% | 0.17 | 17.96 | 0.72 | | 16.2% |
| CAPITAL IMPROVEMENT PROGRAM | 0.02 | 0.00 | 0.0% | 0.00 | 0.00 | 0.03 | 9.5% | 0.00 | 0.08 | 0.22 | Many CIP projects budgeted in previous FY will not be spent. | N/A |
| TOTAL | 19.25 | 7.65 | 39.7% | 17.55 | 18.06 | 8.91 | 47.0% | 0.17 | 18.04 | 0.94 | | 16.5% |

FY 2003-04 REVENUE AND EXPENDITURE ANALYSIS
Second Quarter (July 1 through Dec 31, 2003)
OVERTIME ANALYSIS

A. GENERAL PURPOSE FUND

| Agency / Department | FY 2002-03 Year-End Overtime Spending | FY 2003-04 Adopted Overtime Budget | FY 2003-04 2nd Qtr Adjusted Overtime Budget | FY 2003-04 2nd Qtr Actual Overtime Spending | FY 2003-04 Percent To Date | FY 2003-04 Year End Overtime Estimate | Year-End \$ (Over) / Under | Explanation of (Overspending) / Savings |
|---|--|---|--|--|----------------------------------|---|-------------------------------|---|
| MAYOR | 663 | 8,462 | 0 | 0 | 0.0% | 0 | 8,462 | Overtime spending is not anticipated. |
| CITY COUNCIL | 262 | 0 | 0 | 0 | N/A | 0 | 0 | |
| CITY MANAGER Administration Citywide Support | 0 9,137 | 0 0 | 0 0 | 0 115 | N/A N/A | 0 115 | 0 (115) | Overtime due to Oracle testing by Budget Office Accounting Staff. will be covered by salary savings. |
| Subtotal City Manager | 9,137 | 0 | 115 | 115 | N/A | 115 | (115) | |
| CITY CLERK | 26,263 | 0 | 13,713 | 30,000 | N/A | 30,000 | (30,000) | Spending is associated with Agenda Management/Council Meetings and will be covered by salary savings. |
| CITY ATTORNEY | 12,854 | 0 | 4,124 | 8,248 | N/A | 8,248 | (8,248) | Spending is associated with legal preparations (secretaries and paralegals) and will be covered by salary savings. |
| CITY AUDITOR | 1,219 | 0 | 624 | 624 | N/A | 624 | (624) | Spending is associated with Survey staff and will be covered by salary savings. |
| FINANCE & MANAGEMENT (FMA) Information Technology | 41,875 | 8,378 | 30,688 | 61,377 | 366.3% | 61,377 | (52,999) | Spending is associated with help desk, Oracle upgrades and Maintenance Services and will be covered by salary savings. |
| Personnel Resource Management | 73,035 | 41,094 | 38,974 | 77,947 | 94.8% | 77,947 | (36,853) | Spending is associated with Payroll Operations, will not be covered by salary savings. |
| Finance | 247,669 | 164,554 | 125,136 | 250,271 | 78.0% | 250,271 | (85,717) | Spending is associated with year-end auditing functions and State Controller's Report (City & ORA) and will be covered by salary savings. |
| Subtotal FMA | 362,579 | 214,026 | 194,798 | 389,596 | 91.0% | 389,596 | (175,570) | |
| POLICE SERVICES | 14,960,827 | 10,122,206 | 6,321,789 | 14,118,490 | 62.5% | 14,118,490 | (3,996,221) | The GPF OT over-expenditure is not covered by salary savings. While approximately \$1.7 million of OT expenditures is offset by special event reimbursement revenue, this revenue has already been included in the FY 2003-04 Budget. Based on this year's estimated OT spending of \$14.1 million (versus actual spending of \$14.3 million in FY 2002-03) the Agency's Council-adopted \$2.3 million overtime reduction program appears to be generating only some savings. This program involves a redeployment of Officers working sideshows and prisoner transport from OT to regular time, and elimination of unfunded special OT projects. However, offsetting these savings is an approximate \$1.4 million increase in OT due to the Mayor's Violence Reduction Program. |
| FIRE SERVICES | 9,546,923 | 2,899,899 | 3,528,160 | 6,743,601 | 121.7% | 6,743,601 | (3,843,702) | The GPF OT over-expenditure will be covered by total personnel savings. The over-expenditure is due to maintenance of adequate (mandatory minimum) staffing in the fire stations, including vacancy, temporary and extended leave coverage. The decrease in OT from last year (\$10.2 million in FY 2002-03) is due to availability of sworn staff from the closed Station Two Engine Company and from the two Engines that were added to the Agency's flexible deployment rotation. |

ATTACHMENT E

Agency / Department

FY 2002-03 Year-End Overtime Spending

FY 2003-04 Adopted Overtime Budget

FY 2003-04 2nd Qtr Adjusted Overtime Budget

FY 2003-04 2nd Qtr Actual Overtime Spending

FY 2003-04 End Overtime Estimate

FY 2003-04 Year (Over) / Under

Explanation of (Overspending) / Savings

CULTURAL ARTS & MARKETING (CAM)

Museum of Oakland

Public Art & Cultural Funding

Marketing & Special Events

Subtotal CAM

LIBRARY SERVICES

PARKS & RECREATION

HUMAN SERVICES

COMM & ECON DEVELOPMENT

PUBLIC WORKS

SUBTOTAL

TOTAL

| | | | | | | |
|------------|------------|------------|--------|------------|-------------|---|
| 641 | 0 | 23,343 | N/A | 46,687 | (46,687) | Spending is associated with security and custodial services and the Alice Arts Center, will not be covered by salary savings. |
| 289 | 0 | 0 | N/A | 0 | 0 | |
| 2,162 | 0 | 862 | N/A | 1,724 | (1,724) | Spending is associated with KTOP productions and will be covered by increased revenues. |
| 3,092 | 0 | 24,206 | N/A | 48,411 | (48,411) | |
| 26,452 | 9,382 | 1,753 | 18.7% | 3,428 | 5,954 | Spending is associated with Library Branch activities. |
| 40,605 | 0 | 26,651 | N/A | 72,236 | (72,236) | Overtime spending is associated with seasonal recreation center activities mostly at Arroyo Rec Center, Area 2 Administration, and Central Reservations. Not covered by salary savings. |
| 11,521 | 542 | 2,654 | 489.7% | 6,189 | (4,647) | Spending is associated with Senior Center activities; covered by salary savings. |
| 458,927 | 329,809 | 229,164 | 69.5% | 458,328 | (128,519) | Overtime spending is associated with Building Services. Specifically, overtime has been required to maintain work flow with inspection reports, which have been backlogged due to staff reductions. |
| 4,783 | 0 | 0 | N/A | 0 | 0 | No PWA overtime is anticipated in 1010 |
| 25,469,199 | 13,584,326 | 10,371,956 | 76.4% | 21,926,677 | (8,342,288) | |
| 25,469,199 | 13,584,389 | 10,371,956 | 76.4% | 21,926,677 | (8,342,288) | |

ATTACHMENT E

Agency / Department FY 2003-03 Year-End Overtime Spending FY 2003-04 Adopted Overtime Budget FY 2003-04 2nd Qtr Adjusted Overtime Budget FY 2003-04 2nd Qtr Actual Overtime Spending FY 2003-04 Percent To Date FY 2003-04 End Overtime Estimate Year-End \$ (Over) / Under Explanation of (Overspending) / Savings

B. ALL FUNDS

| | | | | | | | | | |
|--|----------------|----------------|----------------|--------------|----------------|----------------|----------------|------------------|--|
| MAYOR | 663 | 8,462 | 0 | 0.0% | 0 | 0 | 8,462 | 0 | Overtime is not anticipated |
| CITY COUNCIL | 262 | 0 | 0 | N/A | 0 | 0 | 0 | 0 | |
| CITY MANAGER Administration Citywide Support | 0 10,355 | 0 0 | 0 476 | N/A N/A | 0 476 | 0 476 | 0 476 | 0 (476) | Spending is associated with Oracle Testing, Employment Service monitoring and Retirement functions, and will be covered by salary savings. |
| Subtotal City Manager | 10,355 | 0 | 476 | N/A | 476 | 476 | 476 | (476) | |
| CITY CLERK | 26,263 | 0 | 13,713 | N/A | 30,000 | 30,000 | 30,000 | (30,000) | Spending is associated with Council Meetings will be covered by salary savings. |
| CITY ATTORNEY | 12,854 | 0 | 4,124 | N/A | 8,248 | 8,248 | 8,248 | (8,248) | Spending is associated with paralegal and secretary services will be covered by salary savings. |
| CITY AUDITOR | 1,219 | 0 | 624 | N/A | 624 | 624 | 624 | (624) | Spending is associated with the survey program will be covered by salary savings. |
| FINANCE & MANAGEMENT Information Technology | 90,218 | 17,892 | 34,749 | 194.2% | 69,499 | 34,749 | 17,892 | (51,607) | Spending is associated with Help Desk, Technology upgrades and Server Maintenance & Support will be covered by salary savings. |
| Personnel Resource Management | 73,035 | 41,094 | 38,974 | 94.8% | 77,947 | 38,974 | 41,094 | (36,853) | Spending is associated with Payroll Operations will not be covered by salary savings. |
| Finance | 290,767 | 169,821 | 137,961 | 81.2% | 275,922 | 137,961 | 169,821 | (106,101) | Spending is associated with year-end auditing functions and State Controller's Report (City & ORA) will be covered by salary savings. |
| Subtotal Finance & Management | 454,020 | 228,173 | 211,684 | 92.5% | 423,368 | 211,684 | 228,807 | (194,561) | |
| POLICE SERVICES | 15,927,489 | 10,474,562 | 6,735,363 | 59.7% | 15,284,541 | 6,735,363 | 11,288,420 | (3,996,221) | The Agency has allocated prior-year grant carryforwards to the appropriate spendable (including overtime) accounts, so the Adjusted OT Budget is higher by \$0.8 Million than the Adopted Budget. Total estimated spending assumes estimated GF OT spending and Non-GF OT Budget. Estimated spending is below last year's actuals due to GF OT reduction plan (see above). |
| FIRE SERVICES | 10,376,477 | 2,993,370 | 3,722,293 | 124.4% | 6,837,072 | 3,722,293 | 2,993,370 | (3,843,702) | The majority (96%) of Fire OT spending is in the General Fund-see comments above. Non-general fund spending will be over budget in the Alameda County Emergency Dispatch Fund (2412) due to Communications Dispatcher OT. |
| CULTURAL ARTS & MARKETING | 58,151 | 35,000 | 26,155 | 74.7% | 52,310 | 26,155 | 35,000 | (17,310) | Spending is associated with security & custodial services and the Alice Arts Center, and KTOP production, which will be covered by increased revenues. |
| LIBRARY SERVICES | 49,480 | 9,382 | 7,347 | 78.3% | 14,365 | 7,347 | 9,382 | (4,983) | Overtime spending associated with Administrative unit activities relative to the Library's Master plan and Library branch activities. There are sufficient savings in GF to offset OT overspending. |
| PARKS & RECREATION | 347,112 | 0 | 118,062 | N/A | 320,000 | 118,062 | 162 | (319,838) | Total estimated GF and Non-GF OT assumes approximately the same level as in prior two fiscal years. No OT has been budgeted and OT is predominantly incurred by OPR's tree service staff (Org 509250) who are required to be on call 24 hrs. to respond to tree safety issues. Overspending will not be covered by salary savings. |
| HUMAN SERVICES | 35,174 | 542 | 14,825 | 2735.2% | 28,386 | 14,825 | 542 | (28,444) | Overtime spending mostly associated with supporting Head Start and HUD-CDBG Housing program activities in non-1010 funds. There are sufficient savings in GF to offset OT overspending. |

| Agency / Department | FY 2002-03 Year-End Overtime Spending | FY 2003-04 Adopted Overtime Budget | FY 2003-04 2nd Qtr Adjusted Overtime Budget | FY 2003-04 2nd Qtr Actual Overtime Spending | FY 2003-04 Percent To Date | FY 2003-04 End Overtime Estimate | Year-End \$ (Over) / Under | Explanation of (Overspending) / Savings |
|-------------------------|--|---|--|--|----------------------------------|--|-------------------------------|---|
| COMM & ECON DEVELOPMENT | 569,324 | 329,809 | 329,894 | 252,057 | 79.4% | 524,114 | (194,220) | Unbudgeted overtime expenditures occurred in the following funds: HUD/EDI (2105), HUD CDBG (2108), OBRA Lease Revenue (2192), Mortgage Revenue (2826), Sewer Service (3100), Grant Clearing (7760) and ORA Projects (7780). Overall personnel services savings will be insufficient to cover these unbudgeted expenditures in the General Fund (1010), HUD CDBG, OBRA Lease Revenue, Sewer Services and Grant Clearing. |
| PUBLIC WORKS | 1,540,351 | 469,221 | 469,496 | 895,897 | 190.8% | 1,781,795 | (1,322,299) | Most overtime spending is from Sewer & Storm-Drain Maintenance and the Street Cleaning divisions, in the Sewer Service Fund (3100) and Comprehensive Cleanup Fund (1720). Charges are related to gutter cleaning done in advance of rainy season, actual emergency overtime, and emergency standby pay. Overtime costs will be covered by salary savings in those respective divisions. |
| SUBTOTAL | 29,409,194 | 14,545,521 | 15,363,535 | 12,012,621 | 78.2% | 25,315,989 | (9,952,454) | |
| TOTAL | 29,409,194 | 14,545,521 | 15,363,535 | 12,012,621 | 78.2% | 25,315,989 | (9,952,454) | |

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FINANCE & MANAGEMENT CMTE.
MAR 9 2004