

**CITY OF OAKLAND
COUNCIL AGENDA REPORT**

OFFICE OF THE CITY CLERK
2006 JUL 11 1:19

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: City Administrator's Budget Office
DATE: July 11, 2006
RE: Report on FY 2005-06 Third Quarter Revenue and Expenditure Results and Year-End Projections for City's Selected Funds (General Purpose, Telecommunications, Contract Compliance, Equipment and Facilities) and Resolution Amending Resolution No. 79291 C.M.S. to Amend the Second Year of the 2005-07 Biennial Budget as the Financial Plan for Conducting the Affairs of the City of Oakland Based on Third Quarter Review of FY 2005-06 Revenues and Expenditures

INTRODUCTION

This report provides information on the City's financial activity through the end of the third quarter of the fiscal year (March 31, 2006) and provides year-end projected revenues and expenditures for five selected funds.

This report also updates the projected year-end surplus for the General Purpose Fund based upon third quarter financial activity and provides a recommendation for the utilization of that surplus.

FISCAL IMPACT

The City's financial condition is stable due to conservative assumptions built into the FY 2005-07 Adopted Policy Budget and stronger than anticipated property and real estate transfer tax revenue. The Third Quarter Revenue & Expenditure Report for the 2005-06 fiscal year projects a surplus in the City's largest fund – the General Purpose Fund (GPF). The Third Quarter Revenue & Expenditure Report includes an analysis of actual revenues and expenditures for the GPF and four other funds for the nine-month period of July 1 through March 31, 2006 and projects year-end revenues and expenditures for these funds with highlights of significant trends. The summary table on the following page reflects the third quarter financial results, as follows:

In the General Purpose Fund, a \$16.10 million surplus is projected by year-end. This exceeds the \$8.49 million surplus projected in the second quarter analysis by \$7.61 million and is due to increased property tax and real estate transfer tax revenue as well as a reduction in projected year-end expenditures.

In the Telecommunications Reserve/Cable Franchise Fund, a \$1.23 million deficit is projected by year-end which is an increase from the \$1.04 million shortfall projected when the budget was adopted in June 2005.

The Contract Compliance Fund is projected to end the year with a small deficit of \$0.01 million due to negative interest offsetting the transfer from the GPF.

In the Equipment Fund, a \$4.75 million borrowing from the fund balance is projected by year-end, which is higher than the \$2.73 million borrowing anticipated in the FY 2005-07 Adopted Budget.

In the Facilities Fund, a \$5.05 million from fund balance is projected to be required by year-end, which is a slight decrease from the \$5.27 million authorized in the FY 2005-07 Budget.

Item: _____
Finance and Management Committee
July 11, 2006

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)

SUMMARY (\$ in millions)

A. GENERAL PURPOSE FUND (#1010)

| | FY 2005-06 3rd Quarter Adjusted Budget | 3rd Quarter Actuals | Percent To Date | FY 2005-06 Projected Over/(Under) | FY 2005-06 Year-End Estimate |
|--------------|--|------------------------|--------------------|---|------------------------------------|
| Revenues | \$458.29 | \$336.13 | 73.3% | \$16.36 | \$474.65 |
| Expenditures | \$458.09 | \$346.22 | 75.6% | \$0.46 | \$458.55 |
| Variance | \$0.20 | | | \$15.90 | \$16.10 |

B. TELECOMMUNICATIONS FUND (#1760)

| | FY 2005-06 3rd Quarter Adjusted Budget | 3rd Quarter Actuals | Percent To Date | FY 2005-06 Projected Over/(Under) | FY 2005-06 Year-End Estimate |
|--------------|--|------------------------|--------------------|---|------------------------------------|
| Revenues | \$1.94 | \$0.63 | 32.3% | (\$0.06) | \$1.88 |
| Expenditures | \$2.99 | \$1.31 | 44.0% | \$0.12 | \$3.11 |
| Variance | (\$1.05) | | | (\$0.18) | (\$1.23) |

C. CONTRACT COMPLIANCE FUND (#1790)

| | FY 2005-06 3rd Quarter Adjusted Budget | 3rd Quarter Actuals | Percent To Date | FY 2005-06 Projected Over/(Under) | FY 2005-06 Year-End Estimate |
|--------------|--|------------------------|--------------------|---|------------------------------------|
| Revenues | \$0.14 | \$0.01 | 7.1% | (\$0.15) | (\$0.01) |
| Expenditures | \$0.01 | \$0.85 | 7385.1% | (\$0.01) | \$0.00 |
| Variance | \$0.13 | | | (\$0.14) | (\$0.01) |

D. EQUIPMENT FUND (#4100)

| | FY 2005-06 3rd Quarter Adjusted Budget | 3rd Quarter Actuals | Percent To Date | FY 2005-06 Projected Over/(Under) | FY 2005-06 Year-End Estimate |
|--------------|--|------------------------|--------------------|---|------------------------------------|
| Revenues | \$28.96 | \$6.94 | 24.0% | (\$1.12) | \$27.84 |
| Expenditures | \$31.69 | \$11.75 | 37.1% | \$0.90 | \$32.59 |
| Variance | (\$2.73) | | | (\$2.03) | (\$4.75) |

E. FACILITIES FUND (#4400)

| | FY 2005-06 3rd Quarter Adjusted Budget | 3rd Quarter Actuals | Percent To Date | FY 2005-06 Projected Over/(Under) | FY 2005-06 Year-End Estimate |
|--------------|--|------------------------|--------------------|---|------------------------------------|
| Revenues | \$19.01 | \$7.77 | 40.9% | (\$0.44) | \$18.57 |
| Expenditures | \$24.28 | \$16.35 | 67.4% | (\$0.66) | \$23.62 |
| Variance | (\$5.27) | | | \$0.21 | (\$5.05) |

DISCUSSION

The information in this report is organized by fund. Each section provides an overview of actual - revenue collected and expenditures incurred during the first nine months of the fiscal year and projects financial activity through the end of the fourth quarter.

GENERAL PURPOSE FUND

REVENUE HIGHLIGHTS

Revenue to the General Purpose Fund for FY 2005-06 is budgeted at \$458.29 million. During the first nine months of the fiscal year, the City received \$336.13 million or 73.3 percent of the budgeted amount. Based upon this information, General Purpose Fund revenues are projected to end the year at \$474.65 million, which is \$16.36 million higher than the budgeted amount due mainly to the ongoing surge in Real Estate Transfer Tax revenues and higher than anticipated Property Tax Revenues. The City continues to experience strong growth in its real estate-related revenues, which include surpluses projected for Property Tax and Real Estate Transfer Tax. Additionally, smaller surpluses are projected for revenue from Service Charges, License & Permits, Vehicle License Fees and Sales Tax. This additional revenue will be partially offset by a slight reduction in Miscellaneous Revenue and Carryforward funding. Construction permit revenue continued strong during the third quarter of the fiscal year, which indicates that a large number of new units will be placed on the Oakland market in the near future. Sales of these new units should continue to bolster Property Tax and Real Estate Transfer Tax revenue. Attachment A-1 identifies budgeted revenues, actual revenues received through the third quarter, and year-end projections for FY 2005-06.

Revenues within the General Purpose Fund that are projected to vary from the amount budgeted are discussed below.

Property Tax

The largest source of revenue to the City's General Purpose Fund is property tax revenue, which is projected to be \$100.22 million or \$5.66 million over the amount budgeted. This additional revenue is the result of a higher than anticipated increase in assessed valuation within the City plus the receipt of a one-time payment related to the FY 2004-05 Vehicle License Fee-Property Tax swap in the amount of \$1.4 million.

Sales Tax

Sales tax revenue is projected to total \$42.92 million by the end of the fiscal year or \$0.50 million over the amount budgeted. Included among the major changes to the local retail market are the following:

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

Vehicle License Fee

Vehicle License Fee revenue received through the third quarter totaled \$8.65 million compared to a budgeted amount of \$8.32 million. It is projected that an additional \$0.32 million will be received during the final quarter of the fiscal year for a total of \$0.65 million over the budgeted amount. This additional revenue is due to the State reimbursing the full loan repayment of \$6.9 million related to the

Item: _____

Finance and Management Committee

July 11, 2006

City's FY 2003-04 Vehicle License Fee remittance rather than the \$6.25 million the City expected when this revenue budget was developed.

Business License Tax

Business License Tax was budgeted at \$45.96 million for FY 2005-06. With \$40.78 million (88.7 percent of budget) received as of March 31st, the projected amount has been revised downward by \$0.75 million to \$45.21 million, since most revenue is collected between January and March.

Real Estate Transfer Tax

Real Estate Transfer Tax was budgeted at \$60.22 million for the 2005-06 fiscal year. As of March 31st, \$59.82 million or 99.3 percent of the budgeted amount had been received. Due to the continuing strength of the Oakland real estate market, it is projected that Real Estate Transfer Tax revenue will total \$71.42 million or \$11.20 million over the amount budgeted by the end of the fiscal year.

Licenses & Permits

Revenue from Licenses & Permits through the end of the third quarter totaled \$13.66 million or 81.7 percent of the \$16.72 million budgeted for the fiscal year. The major source of revenue within this category is construction permits primarily for new construction, remodels and additions. Community and Economic Development Agency staff report that numerous large projects are in various stages of the planning process with significant growth in this category anticipated over the next several years. It is projected that revenue from Licenses & Permits will total \$17.7 million or \$0.98 million over the budgeted amount by the end of the fiscal year.

Service Charges

The major components of Service Charge revenue include revenue from the Port of Oakland for services provided by the City, franchise tax revenue, parking meter fees, public works fees and permits, parks and recreation fees and a variety of inspection fees. Service Charge revenue through the end of the third quarter totaled \$31.89 million of the \$55.62 million budgeted. It is projected that revenue from this category will total \$56.50 million or \$0.88 million more than the amount budgeted by the end of the fiscal year with the additional revenue coming from construction-related activities.

Grants & Subsidies

Grant & Subsidies revenue through the end of the third quarter was \$0.42 million which includes a reimbursement from the State for costs incurred by the City in fulfilling State Mandates. The reimbursement was not budgeted because in prior years the State has been erratic in providing reimbursement for these costs. Although an additional grant has been budgeted totaling \$0.81 million, it is not expected to be received this fiscal year, so no additional revenue is projected by year-end.

Miscellaneous

Miscellaneous Revenue was budgeted at \$4.75 million. The major components of the budget for Miscellaneous Revenue include payment from the Oakland Base Reuse Authority, which is expected to be received by the end of the year, and revenue from land sales. It is projected that Miscellaneous Revenue will end the year at \$4.14 million or \$0.61 million less than the amount budgeted due to several year-end accounting adjustments required to adjust revenue booked in the prior year.

Carryforwards

At the end of each fiscal year, the City has unspent appropriations that can potentially be carried forward into the next fiscal year. These exist either in projects or as non-project encumbrances. For the General Purpose Fund in FY 2005-06, \$13.53 million in projects and encumbrances were carried forward from FY 2004-05 and represent funds reserved in the fund balance to pay for the project activities (or encumbered items) not spent in the prior year. Through the third quarter, \$6.49 million of

the project carryforward balances was spent. By year-end, it is projected that all but \$1.76 million will be expended.

EXPENDITURE HIGHLIGHTS

As outlined in Attachment A-2, the General Purpose Fund expenditures through the end of March totaled \$346.22 million, or 75.6 percent of the amount budgeted for FY 2005-06. Total expenditures are projected to reach \$458.55 million by year-end which is \$0.46 million over budget. The projected over-expenditure is less than the \$2.31 million over-expenditure projected in the Second Quarter Revenue & Expenditure Report and is the net result of a projected over-expenditure within Police Services of \$2.77 million, which will be partially offset by under-expenditures in other agency/departmental budgets totaling \$2.31 million.

Provided below is a discussion of the projected over-expenditure within Police Services. Other agencies/departments are not discussed as they are projected to complete the year within or under budget.

Police Services

The Police Services Agency has expended \$132.24 million or 77.4 percent of its \$170.86 million budget through March 2006. It is projected that Police Services Agency will overspend its FY 2005-06 General Purpose Fund Budget by \$2.77 million, or 1.6 percent, which is consistent with the projection included in the Second Quarter Revenue and Expenditure Report. This compares with overspending in FY 2004-05 of \$11.28 million or 7.2 percent.

Personnel Services accounted for 92.2 percent of the total quarterly spending. Personnel spending is expected to be over-budget due to accelerated spending in retirement and benefit accounts associated with sworn salaries and overtime. Overtime is projected to go over budget by \$6.5 million. Of this projected overage, \$4.0 million is largely due to backfill and shift extension overtime and \$2.5 million is due to holiday, court, and MOU-related overtime costs. The projected overage in overtime expenditure is directly related to the Agency's programs and activities such as the academies, sideshows, the Negotiated Settlement Agreement (NSA) and the Mandatory Working Overtime on Day-Off in Patrol (WODOP). However, there are savings in salaries (\$1.3 million) and premium pays (\$1.4 million) to partially offset these overages.

Academies

As of March 2006, the Agency has 43 vacant sworn positions in the General Purpose Fund and 59 vacant sworn positions in the Measure Y Fund. The Agency began its first academy in January 2005 and continues to conduct concurrent academies. Through the third quarter, the Agency did not receive any additional funding to run academies or for recruitment efforts. As 40 percent of the officers will be deployed to Measure Y activities, the Agency is able to charge this percentage of the academy expenditures to Measure Y. The Agency had to absorb the remaining costs in its operating budget. (On April 4, 2006, the City Council authorized \$2.8 million in GPF and Measure Y Funds to implement an accelerated recruiting, training and hiring plan for Oakland police officers).

Sideshows

The Agency engaged in a number of sideshow operations during the summer of 2005 to curtail sideshow activities on the streets of Oakland. The cost for these special operations exceeded its budget.

Negotiated Settlement Agreement (NSA)

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

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

An additional financial burden is the NSA requirement of an 8:1 sworn supervision ratio. With the additional positions in IAD (the majority of which are Sergeants and Lieutenants), the impact to the budget is the need for acting command staff and associated backfill costs.

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

Due to the number of positions dedicated to NSA implementation and because the Agency has 102 vacant sworn positions (Measure Y and General Purpose Fund), all sworn ranks below Lieutenant are mandated to cover a vacant beat at least once every three weeks (e.g., backfill). The Agency also asks that officers fill the overtime assignments in special events, special grant-funded operations, vacations, sick, court assignments, etc. This practice increases the financial impact to the Agency.

Operations & Maintenance spending accounted for 7.8 percent of the total quarterly spending. The Agency anticipates that it will realize approximately \$1.0 million in O&M savings through its booking fees appropriation and in the reduction in its technology expenditures. Savings in booking fee expenditures are due to the City not being charged booking fees on arrestees with outstanding warrants from other jurisdictions. In addition, by attempting to divert its technology expenditures from the GPF into applicable grant funds, the department anticipates it will realize approximately \$1.0 million in O&M savings from these two efforts.

YEAR-END SURPLUS

Due to higher than projected revenues with a slight offset by increased expenditures, it is anticipated that the General Purpose Fund will end the 2005-06 fiscal year with a surplus of \$16.10 million. This projected **one-time surplus** exceeds the second quarter estimate of \$8.49 million by \$7.61 million (see Attachment A-3).

SUPPLEMENTAL FUNDING REQUEST

Staff recommends that Council consider the following items for funding with the additional General Purpose Fund surplus:

- Landscaping and Lighting Assessment District supplemental funding to bridge the FY 2006-07 funding gap - *\$1.80 million*
- City-wide roofing repairs - *\$1.50 million*
- Deferred maintenance on City facilities including repair of City Hall elevators, replacement of failing police fuel pump, replacement of roof at West Oakland Multipurpose Center and repair of deteriorated porch at Dunsmuir House, - *\$0.72 million*
- Repairs resulting from the 2006 winter storm damage in excess of the amount covered under the federal disaster declaration - *\$0.52 million*
- Three Criminalist positions to analyze sexual assault kits and maximize DNA evidence - *\$0.36 million*
- Police in-car video system - *\$0.51 million*
- Priority Project Funding for Mayor, which was omitted from the Midcycle budget adjustment - *\$0.25 million*
- Support for City-wide recruitment – Personnel/Payroll - *\$0.47 million*
- Transfer to Capital Reserve for future consideration - *\$1.48 million*

TELECOMMUNICATIONS FUND

Fund History and Purpose

The City charges franchise fees for four main utility services: cable TV, gas and electric, garbage collection, and sewers. The cable TV franchise fee revenue received by the City is split between the General Purpose Fund and the Telecommunications Fund. Revenue from the Telecommunications Fund is primarily spent on City's telecommunication activities, with over 98 percent of revenues in the past five years having gone to KTOP.

REVENUE BACKGROUND

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

Revenue to 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. Budgeted revenue for the Telecommunications Fund is identified in Attachment B-1.

The Telecommunication Fund has, over the years, accumulated a negative fund balance due to revenue under-collection and/or overspending. For example, the FY 2005-06 Adopted Budget estimated revenues of \$0.99 million (before fund transfer) and expenditures of \$2.18 million, which creates a

Item: _____

structural deficit of \$1.19 million. As part of the FY 2005-07 Adopted Policy Budget, Council approved a rebalancing of the Fund over the next ten years. This gradual repayment of the negative balance will require contributions from the General Purpose Fund. Absent these contributions, the structural operating deficit would continue to grow.

REVENUE HIGHLIGHTS

Interest Income

The Telecommunications Fund has generated negative interest charges of \$0.05 million through the end of March 2006 due to the negative fund balance discussed above. The negative interest is projected to reach \$0.06 million by year-end.

Service Charges (Franchise Fees)

Franchise revenue received through March 31st totaled \$0.56 million of the \$.99 million budget. Revenue activity represents only two quarters of Comcast payments, due to the approximate one-month lag in remittances. Year-end revenue is projected to reach the budgeted level of \$0.99 million.

Miscellaneous Revenues

Miscellaneous revenues of \$0.80 million are expected from Comcast, as approved by Council (Resolution No. 76872 C.M.S.), for its portion of the City's Macarthur Boulevard utility underground capital project.

EXPENDITURE HIGHLIGHTS

The FY 2005-06 budget contains appropriations for three departments within the Telecommunications Fund: City Administrator's Marketing Division (KTOP unit), Oakland Public Library, and Non-Departmental. The FY 2005-06 appropriation totals \$2.99 million, of which \$1.22 million is dedicated to KTOP for operating expenditures, \$0.05 million is allocated to the Public Library, and \$0.05 million is budgeted for Non-Departmental payments related to the Cable Franchise Contract. An additional \$1.66 million is allocated in the Capital Improvement Program for KTOP capital improvements and the City's Macarthur Boulevard utility underground capital project. A summary of the Telecommunication Fund budget is provided as attachment B-2.

Through the end of the third quarter of FY 2005-06, approximately \$1.31 million, or 44.0 percent of the approved budget had been expended. Of this amount, approximately \$0.27 million or 16.4 percent had been obligated or spent for KTOP-related capital improvements. Year-end spending is projected to be over the budgeted amount of \$2.99 million by \$0.12 million due to a variety of personnel-related costs.

CONTRACT COMPLIANCE FUND

Fund History and Purpose

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

Item: _____

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

The assessment rate, which varied between 3 and 3.5 percent over the years, did not generate sufficient revenue to cover contract compliance expenditures. As a result, a deficit fund balance has accumulated. To address this deficit, Council approved a ten-year rebalancing of the Contract Compliance Fund as part of the FY 2005-07 Adopted Policy Budget, beginning in FY 2005-06. Transfers from the General Purpose Fund will reduce the accumulated deficit over time, eliminating the deficit.

REVENUE HIGHLIGHTS

Interest Income

Due to the negative fund balance, the Contract Compliance Fund has generated negative interest charges of \$0.15 million through the end of March 2006 which is projected to reach negative \$0.21 million by year-end.

Service Charges (Assessments)

In prior years, the Contract Compliance Division generated service charge revenue from the assessment on contracts over \$25,000. Various City funds paid for such contracts and transferred funding to the Contract Compliance Fund. This funding mechanism was discontinued with the passage of the FY 2005-07 Adopted Policy Budget. Staff and operating costs are now allocated across various funding sources (Sewer, ACTIA, Recycling program, etc) where contracts are anticipated. Although the direct appropriation method was implemented for the FY 2005-07 Adopted Budget, revenue continues to be collected from contracts approved in prior years. Service charges totaling \$0.60 million have been collected through the third quarter of the fiscal year. A summary of revenues is provided in Attachment C-1.

EXPENDITURE HIGHLIGHTS

In prior years the City Administrator's Office of Contract Compliance and Employment Services was the primary recipient of the Contract Compliance Fund. The Office of the City Attorney also received funding from this source. Beginning in FY 2005-06, Contract Compliance activities are now supported by the funds where contracts are anticipated. Expenditures reflected to date will be transferred to these funds by year-end (see *Attachment C-2*). While the Contract Compliance Fund is projected to end the year with only a \$0.01 million deficit, the effect of the budgeted GPF transfer on the 10-year repayment schedule is wiped out by higher than anticipated negative interest charges. The \$0.14 million transfer from the GPF that has been budgeted and \$0.06 million in unanticipated service charge revenue expected by year-end are nullified by negative interest charges of \$0.21 million. Thus a revision or extension of the 10-year repayment schedule is planned for the FY 2007-09 Budget development to ensure that the Fund is ultimately balanced.

Item: _____

EQUIPMENT FUND

FUND HISTORY AND PURPOSE

The Equipment Fund is an Internal Service Fund. Revenue to an Internal Service Fund, in the form of charges to users, should be just sufficient to cover the cost of providing the service.

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

REVENUE BACKGROUND

As described above, annual department payments to the Equipment Fund should be at a level sufficient to cover the Fund's annual costs. However, for the past several fiscal years, the Equipment Services Division's costs have exceeded actual revenues, which has resulted in an operating deficit.

The Equipment Fund's FY 2005-06 original adopted budget includes \$14.16 million in budgeted revenue and \$16.89 million in new appropriations which will result in an operating deficit of \$2.73 million. As part of the FY 2005-07 Adopted Policy Budget, the Council approved an increase to the Equipment Fund rates, and a rebalancing of the Fund over a ten-year period to eliminate the deficit over time.

REVENUE HIGHLIGHTS

Fines & Penalties, Interest, Internal Service and Miscellaneous Revenues

Equipment Fund revenue through the third quarter was \$6.94 million, representing 49.0 percent of the FY 2005-06 budget. The subtotaled year-end revenue (excluding carryforwards) is projected to be slightly below budget due to a small amount of negative interest. (Please see *Attachment D-1* for detail).

Carryforward Revenue

At the end of each fiscal year, the City has many unspent appropriations that can potentially be carried forward into the next fiscal year. These exist either in projects or as non-project encumbrances. In FY 2005-06, \$14.8 million in project appropriations and non-project encumbrances were carried forward from FY 2004-05 in the Equipment Fund. This amount has been added to the Adjusted Budget as both revenue and expenditure. Of this amount, it is projected that only \$13.68 million will be spent by year-end, leaving \$1.12 million unspent.

EXPENDITURE HIGHLIGHTS

The Public Works Agency spent \$11.75 million or 40.5 percent of its \$29.01 million budget in the Equipment Fund through the end of March 2006. The vast majority of these expenditures are related to the Equipment Services Division (see *Attachment D-2* for expenditure detail). Due to extraordinarily high gasoline prices, the department anticipates overspending its budget by roughly \$0.90 million.

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

FACILITIES FUND

FUND HISTORY AND PURPOSE

The Facilities Fund is an Internal Service Fund. Revenue to an Internal Service Fund, in the form of charges to users, should be just sufficient to cover the cost of providing the service.

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

REVENUE BACKGROUND

Over the past several years, the Facilities Fund, similar to the Equipment Fund (and for the same reasons), has had budgeted appropriations greater than budgeted revenues, and actual expenditures greater than actual revenues. For FY 2005-06, budgeted new revenue was \$15.44 million, while original adopted expenditures were \$20.71 million, creating an operating deficit.

To address the structural deficit, the City Council approved an increase to Facilities Fund rates, and a rebalancing of the Fund over a ten-year period as part of the FY 2005-07 Adopted Policy Budget. Without these changes, the ongoing structural deficit would be even greater. The year-end projected operating shortfall in this Fund is lower than the level assumed in the budget, for reasons explained below.

REVENUE HIGHLIGHTS

Interest, Service Charges and Internal Service Revenues

The Internal Service (work order) revenue through the third quarter was \$7.52 million, on target with budget. Additionally, service charge revenue totaled \$0.03 million through March 2006. The work order or service charge revenues are projected to end the year at budget. As a result, the subtotaled year-end revenue (excluding carryforwards) is projected to be roughly at budget, reaching \$15.44 million (see *Attachment E-1* for revenue detail).

Carryforward Revenue

At the end of each fiscal year, the City has unspent appropriations that can potentially be carried forward into the next fiscal year. These exist either in projects or as non-project encumbrances. In FY 2005-06, \$3.57 million in project appropriations and non-project encumbrances were carried forward from FY 2004-05 in the Facilities Fund. All but \$0.44 million of the carry forward is projected to be spent by year-end.

Item: _____

EXPENDITURE HIGHLIGHTS

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

The Public Works Agency has spent \$16.31 million or 67.6 percent of its \$24.13 million adjusted Facilities Fund budget through the end of March 2006. Over 76.7 percent of these expenditures were related to the Department of Facilities & Environment, in the Facilities Services and Park & Building Maintenance Divisions.

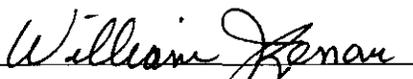
The Facilities Fund has only one Capital Improvement Project budgeted, a project to replace one of the Heating, Ventilation and Air Conditioning (HVAC) systems at the Edgewater building. This project will be completed by year-end.

Spending in the Facilities Fund is typically higher in the coming months, because invoices tend to be received at the end of the year. Given spending to date and accounting for anticipated changes in future spending patterns, the Facilities Fund's FY 2005-06 Adjusted Budget is projected to be underspent by \$0.66 million by year-end, due to savings in personnel costs from vacancies and underspending of the O&M budget, particularly in projects that will carry forward to FY 2006-07.

CONCLUSION/RECOMMENDATION

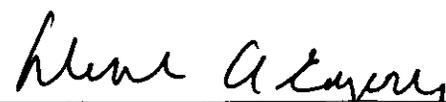
Staff recommends the City Council accept this report and adopt the attached Resolution, which appropriates the additional \$7.61 million surplus.

Respectfully submitted,



WILLIAM J. ZENONI
Interim Budget Director

APPROVED FOR FORWARDING TO THE
FINANCE AND MANAGEMENT COMMITTEE



OFFICE OF THE CITY ADMINISTRATOR

Attachments:

- A-1: General Purpose Fund Revenues*
- A-2: General Purpose Fund Expenditures*
- A-3: General Purpose Fund Surplus*
- 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*

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
GENERAL PURPOSE FUND REVENUES (\$ in millions)

| Revenue Category | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Budget | FY 2005-06 3rd Qtr Actuals | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ Over / (Under) | Explanation of Over / (Under) Collection |
|---|-----------------------------------|---------------------------------|----------------------------------|----------------------------------|------------------------------------|----------------------------------|--|
| PROPERTY TAX | \$90.75 | \$94.56 | \$55.36 | 58.5% | \$100.22 | \$5.66 | Higher than expected 1st installment revenue |
| SALES TAX | \$41.65 | \$42.42 | \$31.54 | 74.3% | \$42.92 | \$0.50 | Growth in retail activity |
| VEHICLE LICENSE FEE (VLF) - TAX & BACKFILL | \$2.55 | \$8.32 | \$8.65 | 104.0% | \$8.97 | \$0.65 | Collection from VLF Gap Loan exceeded budget |
| BUSINESS LICENSE TAX | \$43.92 | \$45.96 | \$40.78 | 88.7% | \$45.21 | (\$0.75) | |
| UTILITY CONSUMPTION TAX | \$51.18 | \$50.20 | \$37.15 | 74.0% | \$50.20 | \$0.00 | Sluggish growth in Telecom revenue |
| REAL ESTATE TRANSFER TAX | \$77.93 | \$60.22 | \$59.82 | 99.3% | \$71.42 | \$11.20 | Higher collections from sale of large properties |
| TRANSIENT OCCUPANCY TAX | \$10.03 | \$9.82 | \$8.34 | 85.0% | \$9.82 | \$0.00 | |
| PARKING TAX | \$8.12 | \$8.65 | \$6.50 | 75.1% | \$8.65 | \$0.00 | |
| LICENSES & PERMITS | \$15.64 | \$16.72 | \$13.66 | 81.7% | \$17.70 | \$0.98 | Strong construction permit activity |
| FINES & PENALTIES | \$24.87 | \$26.58 | \$17.74 | 66.8% | \$26.58 | \$0.00 | Delay in State payments |
| INTEREST INCOME | \$2.02 | \$0.00 | \$1.82 | N/A | \$0.00 | \$0.00 | |
| SERVICE CHARGES | \$56.92 | \$55.62 | \$31.89 | 57.3% | \$56.50 | \$0.88 | Strong construction permit activity |
| GRANTS & SUBSIDIES | \$0.21 | \$0.81 | \$0.42 | N/A | \$0.42 | (\$0.39) | New grant for Airport Police Security not anticipated for receipt until FY 06-07 |
| MISCELLANEOUS | \$4.63 | \$4.75 | \$1.67 | 35.2% | \$4.14 | (\$0.61) | Underbudget due to prior-year accounting adjustments |
| FUND TRANSFERS | \$11.65 | \$20.13 | \$14.31 | 71.1% | \$20.13 | \$0.00 | |
| SUBTOTAL | \$442.09 | \$444.76 | \$329.64 | 74.1% | \$462.88 | \$18.12 | |
| CARRYFORWARDS & PRIOR YEAR ENCUMBRANCES* | \$3.33 | \$13.53 | \$6.49 | 48.0% | \$11.77 | (\$1.76) | |
| TOTAL | \$445.42 | \$458.29 | \$336.13 | 73.3% | \$474.65 | \$16.36 | |

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

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
GENERAL PURPOSE FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actual Spending | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ (Over) / Under | Year-End (Over) / Under as % of Adjusted Budget | Explanation of (Overspending) / Savings |
|------------------------------------|-----------------------------------|--|--|----------------------------------|------------------------------------|----------------------------------|---|---|
| MAYOR | \$1.50 | \$2.09 | \$1.28 | 61.4% | \$2.00 | \$0.09 | 4.17% | Under spending is due to personnel savings. |
| CITY COUNCIL | \$2.30 | \$2.79 | \$2.52 | 90.3% | \$2.79 | \$0.00 | 0.00% | Spending anticipated at budget. |
| CITY ADMINISTRATOR | \$6.86 | \$8.73 | \$6.15 | 70.5% | \$8.57 | \$0.16 | 1.79% | Spending anticipated at budget. |
| CITY CLERK | \$1.76 | \$2.54 | \$1.19 | 46.7% | \$2.16 | \$0.38 | 15.11% | Savings are anticipated because of vacancies. |
| CITY ATTORNEY | \$7.60 | \$8.62 | \$6.41 | 74.4% | \$8.62 | \$0.00 | 0.04% | Spending anticipated at budget. |
| CITY AUDITOR | \$1.11 | \$1.21 | \$0.94 | 77.2% | \$1.21 | \$0.00 | 0.00% | Spending anticipated at budget. |
| FINANCE & MANAGEMENT (FMA) | \$28.87 | \$33.19 | \$24.48 | 73.8% | \$32.92 | \$0.27 | 0.81% | Spending anticipated at budget. |
| POLICE SERVICES | \$168.64 | \$170.86 | \$132.24 | 77.4% | \$173.63 | (\$2.77) | -1.62% | Overspending in sworn retirement accrual, academies, sideshows, backfill, and overtime. |
| FIRE SERVICES | \$89.52 | \$103.13 | \$76.06 | 73.7% | \$103.13 | \$0.00 | 0.00% | Spending anticipated at budget. |
| MUSEUM | \$6.08 | \$5.74 | \$4.27 | 74.4% | \$5.74 | \$0.00 | 0.00% | Spending anticipated at budget. |
| LIBRARY SERVICES | \$10.75 | \$11.68 | \$8.27 | 70.8% | \$11.59 | \$0.10 | 0.82% | Underspending attributable to salary savings primarily in Main Library Services, Branch Library Services and Literacy Programs. |
| PARKS & RECREATION | \$11.92 | \$13.50 | \$9.86 | 73.0% | \$13.29 | \$0.21 | 1.58% | Under spending are for summer sports program. |
| HUMAN SERVICES | \$7.79 | \$6.87 | \$4.35 | 63.4% | \$6.87 | \$0.00 | 0.00% | Spending anticipated at budget. |
| COMM & ECON DEVELOPMENT | \$19.30 | \$25.21 | \$16.84 | 66.8% | \$24.20 | \$1.01 | 4.01% | Underspending attributable to salary savings primarily in Housing & Community Development, City Planning and Building Services divisions. |
| PUBLIC WORKS | \$1.18 | \$2.79 | \$1.28 | 46.0% | \$2.70 | \$0.09 | 3.11% | Under spending is due to personnel savings. |
| NON-DEPARTMENTAL | \$50.30 | \$58.27 | \$49.83 | 85.5% | \$58.27 | \$0.00 | 0.00% | Spending anticipated at budget. |
| SUBTOTAL | \$415.49 | \$457.23 | \$345.97 | 75.7% | \$457.69 | (\$0.46) | -0.10% | |
| CAPITAL IMPROVEMENT PROGRAM | \$1.08 | \$0.86 | \$0.25 | 28.9% | \$0.86 | \$0.00 | 0.00% | Assume spend or carryforward |
| TOTAL | \$416.57 | \$458.09 | \$346.22 | 75.6% | \$458.55 | (\$0.46) | -0.10% | |

**PROJECTED FISCAL YEAR 2005-06 YEAR-END SURPLUS
GENERAL PURPOSE FUND**

| | <u>2nd Quarter vs. Budget</u> | <u>3rd Quarter vs. Budget</u> | <u>Difference</u> |
|---------------------------------------|--|--|-------------------|
| <u>Revenue</u> | | | |
| Property Tax | \$2.74 | \$ 5.66 | \$2.92 |
| Sales Tax | 0.00 | 0.50 | 0.50 |
| Vehicle License Fee | 0.65 | 0.65 | -0- |
| Business License Tax | (0.75) | (0.75) | -0- |
| Real Estate Transfer Tax | 7.28 | 11.20 | 3.92 |
| Licenses & Permits | 0.98 | 0.98 | -0- |
| Service Charges | 1.01 | 0.88 | (0.13) |
| Grants and Subsidies | 0.40 | (0.39) | (0.79) |
| Miscellaneous | 0.00 | (0.61) | (0.61) |
| Carryforwards/Prior Year Encumbrances | <u>(1.76)</u> | <u>(1.76)</u> | <u>-0-</u> |
| Total | \$10.55 | \$16.36 | \$5.81 |
| <u>Expenditures</u> | | | |
| Expenditures over Budget | (\$2.31) | (\$0.46) | \$1.85 |
| <u>Budgeted Surplus</u> | <u>\$0.25</u> | <u>\$0.20</u> | <u>(\$ 0.05)</u> |
| Projected Year-End Surplus | \$8.49 | \$16.10 | \$7.61 |

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
TELECOMMUNICATIONS FUND REVENUES (\$ in millions)

| Revenue Category | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actuals | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ Over / (Under) Adj. Bud. | Explanation of Over / (Under) Collection |
|------------------|-----------------------------------|---|----------------------------------|----------------------------------|------------------------------------|---|--|
| INTEREST INCOME | (0.04) | 0.00 | (0.05) | N/A | (0.06) | (0.06) | Interest income was not anticipated during budget development. |
| SERVICE CHARGES | 0.79 | 0.99 | 0.56 | 56.6% | 0.99 | 0.00 | Actuals only represent two of the four annual payments. |
| MISCELLANEOUS | 0.00 | 0.80 | 0.00 | 0.0% | 0.80 | 0.00 | Comcast revenue for MacArthur Undergrounding project. |
| FUND TRANSFERS | 0.00 | 0.15 | 0.11 | 75.0% | 0.15 | 0.00 | |
| TOTAL | \$0.75 | \$1.94 | \$0.63 | 32.3% | \$1.88 | (\$0.06) | |

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
TELECOMMUNICATIONS FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actual Spending | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ (Over) / Under | Explanation of (Overspending) / Savings |
|------------------------------------|-----------------------------------|---|---|----------------------------------|------------------------------------|----------------------------------|---|
| CITY ADMINISTRATOR | | | | | | | |
| Marketing & Special Events (KTOP) | 1.07 | 1.22 | 1.00 | 82.1% | 1.34 | (0.12) | Overspending due to personnel |
| LIBRARY SERVICES | 0.04 | 0.05 | 0.03 | 59.9% | 0.05 | 0.00 | |
| NON-DEPARTMENTAL | 0.06 | 0.05 | 0.01 | 16.3% | 0.05 | 0.00 | |
| SUBTOTAL | 0.10 | 1.32 | 1.04 | 78.7% | 1.44 | (0.12) | |
| CAPITAL IMPROVEMENT PROGRAM | 0.00 | 1.66 | 0.27 | 16.4% | 1.66 | 0.00 | |
| TOTAL | \$0.10 | \$2.99 | \$1.31 | 44.0% | \$3.11 | (\$0.12) | |

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
CONTRACT COMPLIANCE FUND REVENUES (\$ in millions)

| Revenue Category | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actuals | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ Over / (Under) Adj. Bud. | Explanation of Over / (Under) Collection |
|------------------|-----------------------------------|---|----------------------------------|----------------------------------|------------------------------------|---|---|
| INTEREST INCOME | 0.00 | 0.00 | (0.15) | N/A | (0.21) | (0.21) | Interest income was not anticipated during budget development. |
| SERVICE CHARGES | 0.55 | 0.00 | 0.06 | N/A | 0.06 | 0.06 | Although the direct appropriation method was implemented for the FY 2005-07 Adopted Budget, revenue was collected from contracts in prior budget cycles |
| FUND TRANSFERS | 0.00 | 0.14 | 0.10 | 75.0% | 0.14 | 0.00 | |
| TOTAL | \$0.55 | \$0.14 | \$0.01 | 7.1% | (\$0.01) | (\$0.15) | |

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
CONTRACT COMPLIANCE FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actual Spending | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$(Over) / Under | Explanation of (Overspending) / Savings |
|---------------------|-----------------------------------|--|---|----------------------------------|------------------------------------|---------------------------------|---|
| CITY ADMINISTRATOR | 1.01 | 0.01 | 0.85 | 7385.09% | 0.00 | 0.01 | Charges will be transferred to other funds during the year. |
| CITY ATTORNEY | 0.23 | 0.00 | 0.00 | N/A | 0.00 | 0.00 | Fund is no longer used by City departments. |
| TOTAL | \$1.23 | \$0.01 | \$0.85 | 7385.09% | \$0.00 | \$0.01 | |

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
EQUIPMENT FUND REVENUES (\$ in millions)

| Revenue Category | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actuals | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ Over / (Under) Adj. Bud. | Explanation of Over / (Under) Collection |
|---|-----------------------------------|---|----------------------------------|----------------------------------|------------------------------------|---|---|
| FINES & PENALTIES | 0.03 | 0.10 | 0.04 | 41.6% | 0.10 | 0.00 | Lower than anticipated year to date actuals. |
| INTEREST INCOME | 0.22 | 0.00 | (0.00) | N/A | 0.00 | 0.00 | |
| INTERNAL SERVICE | 11.87 | 13.74 | 6.90 | 50.2% | 13.74 | 0.00 | Internal service charges collected as budgeted. |
| MISCELLANEOUS | 0.08 | 0.32 | 0.01 | 1.6% | 0.32 | 0.00 | Vehicle sales will be received as budgeted. |
| SUBTOTAL | 12.21 | 14.16 | 6.94 | 49.0% | 14.16 | 0.00 | |
| CARRYFORWARDS & PRIOR YEAR ENCUMBRANCES | 2.14 | 14.80 | 0.00 | 0.0% | 13.68 | (1.12) | Unspent project funds will carry forward to FY 06-07. |
| TOTAL | \$14.35 | \$28.96 | \$6.94 | 24.0% | \$27.84 | (\$1.12) | |

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
EQUIPMENT FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actual Spending | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ (Over) / Under | Explanation of (Overspending) / Savings |
|-----------------------------|-----------------------------------|--|---|----------------------------------|------------------------------------|----------------------------------|--|
| PUBLIC WORKS | 17.81 | 29.01 | 11.75 | 40.5% | 29.91 | (0.90) | The PWA anticipates over spending due to increased cost of fuel and vehicle parts/equipment. |
| CAPITAL IMPROVEMENT PROGRAM | 0.30 | 2.68 | 0.00 | 0.0% | 2.68 | 0.00 | PWA anticipates spending all CIP funding. |
| TOTAL | 18.11 | 31.69 | 11.75 | 37.1% | 32.59 | (0.90) | |

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
FACILITIES FUND REVENUES (\$ in millions)

| Revenue Category | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actuals | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ Over / (Under) Adj. Bud. | Explanation of Over / (Under) Collection |
|--|-----------------------------------|---|----------------------------------|----------------------------------|------------------------------------|---|--|
| INTEREST INCOME | (0.26) | 0.41 | 0.16 | N/A | 0.41 | 0.00 | |
| SERVICE CHARGES | 0.40 | 0.08 | 0.03 | 41.9% | 0.08 | 0.00 | Service collected as budgeted. |
| INTERNAL SERVICE | 15.54 | 14.96 | 7.52 | 50.3% | 14.96 | 0.00 | Internal services collected as budgeted. |
| SUBTOTAL | 15.68 | 15.44 | 7.71 | 49.9% | 15.44 | 0.00 | |
| CARRYFORWARDS & PRIOR YEAR ENCUMBRANCES | 0.00 | 3.57 | 0.06 | 1.7% | 3.13 | (0.44) | Unspent project funds will carry forward to FY 06-07. |
| TOTAL | \$15.68 | \$19.01 | \$7.77 | 40.9% | \$18.57 | (\$0.44) | |

FY 2005-06 REVENUE AND EXPENDITURE ANALYSIS
Through Third Quarter (January 1, 2006 through March 31, 2006)
FACILITIES FUND EXPENDITURES (\$ in millions)

| Agency / Department | FY 2004-05 Year-End Actuals | FY 2005-06 3rd Qtr Adjusted Budget | FY 2005-06 3rd Qtr Actual Spending | FY 2005-06 Percent To Date | FY 2005-06 Year-End Estimate | Year-End \$ (Over) / Under | Explanation of (Overspending) / Savings |
|-----------------------------|-----------------------------------|---|---|----------------------------------|------------------------------------|----------------------------------|---|
| PUBLIC WORKS | 18.55 | 24.13 | 16.31 | 67.6% | 23.47 | 0.66 | PWA anticipates some savings due to vacancies; however, savings are offset by high cost of utilities. |
| CAPITAL IMPROVEMENT PROGRAM | 0.10 | 0.15 | 0.05 | 32.6% | 0.15 | (0.00) | |
| TOTAL | \$18.65 | \$24.28 | \$16.35 | 67.4% | \$23.62 | \$0.66 | |

DRAFT

OAKLAND CITY COUNCIL

City Attorney

OFFICE OF THE CITY CLERK
OAKLAND

2006 JUN 29 PM 1:19 **RESOLUTION No. _____ C.M.S.**

Introduced by Councilmember _____

RESOLUTION AMENDING RESOLUTION NO. 79291 C.M.S. TO AMEND THE SECOND YEAR OF THE 2005-2007 BIENNIAL BUDGET AS THE FINANCIAL PLAN FOR CONDUCTING THE AFFAIRS OF THE CITY OF OAKLAND BASED ON THIRD QUARTER REVIEW OF FY 2005-06 REVENUES AND EXPENDITURES

WHEREAS, the City Council adopted Resolution No. 79291 C.M.S. on June 21, 2005 authorizing a biennial budget as the financial plan for conducting the affairs of the City of Oakland for fiscal years 2005-2007, and appropriating certain funds to provide for the expenditures proposed by the said budget; and

WHEREAS, the City Council adopted Resolution No. 79949 C.M.S. on June 8, 2006 amending the FY 2006-07 Policy Budget to include Midcycle Budget Changes; and

WHEREAS, the City Council has reviewed variances in FY 2005-06 revenues and expenditures as part of the Third Quarter Revenue and Expenditure review; and

WHEREAS, Article XIII B of the California Constitution (Limitation of Government Appropriations) was passed by the California electorate on November 6, 1979, and became effective on July 1, 1980; now, therefore be it

RESOLVED: that the City's FY 2006-07 Policy Budget is hereby amended to include adjustments presented in Exhibit A to this resolution, and demonstrated in a staff report to the City Administrator, Deborah Edgerly, titled "Report on FY 2005-06 Third Quarter Revenue and Expenditure Results and Year-End Projections for City's Selected Funds (General Purpose, Telecommunications, Contract Compliance, Equipment and Facilities)" and dated July 11, 2006; and be it

FURTHER RESOLVED: that the City Administrator must obtain approval from the City Council before he/she (1) substantially or materially alters the relative agency¹ allocations of funding set out in the Policy Budget, (2) substantially or materially changes the levels of service expressly prioritized and funded by the Policy Budget, including but not limited to layoffs and/or freezes that would substantially or materially (a) change levels of service or (b) affect programs, or (3) eliminates or suspends entirely programs funded by the Policy Budget.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2006

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

¹ For the purposes of this resolution, departments that do not fall within an agency are considered to be separate agencies

FY 2005-06 THIRD QUARTER
REVENUE AND EXPENDITURE REVIEW
AMENDMENT TO FY 2006-07 GENERAL PURPOSE FUND BUDGET

Public Works Agency

| | |
|---|-------------|
| Landscaping and Lighting Assessment District (LLAD) | \$1,800,000 |
| City-wide Roofing Repairs | \$1,500,000 |
| Deferred Maintenance on City Facilities | \$ 720,800 |
| Repairs Resulting From 2006 Winter Storm Damage* | \$ 515,226 |

Police Services

| | |
|----------------------------|------------|
| Criminalist Positions (3) | \$ 361,536 |
| Police In-Car Video System | \$ 507,000 |

Mayor

| | |
|---------------------------|------------|
| Priority Projects Funding | \$ 250,000 |
|---------------------------|------------|

| | |
|---|-------------|
| Support for City-wide Recruitment – Personnel/Payroll | \$ 470,000 |
| Transfer to Capital Reserve for Future Consideration | \$1,485,438 |

* Damage not covered under the City's federal disaster declaration.