

2013-2014 Annual Report

City Council Meeting – October 7, 2014; Item 3.3

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2013-2014 Budget Performance Met Expectations

- For the second year, the City's budget continued to stabilize in 2013-2014 due to implementation of strategic reforms, an improved economy, and careful management of expenses
- As forecasted, economically sensitive revenues in the General Fund and other funds continued to improve
- Overall, expenditures in all funds ended the year within or below approved levels
- General Fund ended 2013-2014 with a very small additional fund balance and fund balances in all funds ended positive
- Although the City remains in a relatively stable budget position, continued budget discipline is necessary to continue organizational and service delivery rebuilding

General Fund Ends Year With Small Additional Available Fund Balance

- General Fund ended the year with a gross fund balance of \$270.6 million; **\$17.6 million** (0.7% of the budget – sources and uses) above the estimate used to develop the 2014-2015 Adopted Budget
- Net of Development Fee Program reserves and other rebudgets and required adjustments to close out 2013-2014, the ending fund balance variance was actually **\$8.3 million** (0.3% of the budget – sources and uses)
- The \$8.3 million in additional fund balance was generated by excess revenue (\$7.5 million) and expenditure savings (\$1.4 million), partially offset by lower liquidation of prior year carryover encumbrances (-\$531,000)

Proposed Allocation of General Fund \$8.3 Million Fund Balance

	(\$ in 000s)
Additional 2013-2014 Ending Fund Balance	\$ 17,559
• Early Rebudget Previously Approved (Aug. 26, 2014)	(596)
<i>Clean-Up Actions</i>	
• Development Fee Programs Reconciliation	(3,993)
• Rebudget/Clean-up Adjustments	<u>(4,622)</u>
Sub-total Clean-Up Actions	(8,615)
Fund Balance Available After Clean-Up Actions	\$ 8,348
<i>Recommended Budget Adjustments</i>	
• Required Technical/Rebalancing Actions	(6,156)
• Grants/Reimbursements/Fee Activities (\$3.7 M Net Zero)	0
• Urgent Fiscal/Program Needs	<u>(2,192)</u>
Sub-total Recommended Adjustments	(8,348)
Fund Balance After Recommended Adjustments	\$ 0

Required Technical/Rebalancing Actions in the General Fund Total \$6.2 Million

Silicon Valley Regional Communications System Res.	\$ (3,130)
Police Department Staffing Reserve	(3,000)
Comm. Solid Waste/Recycl. Franchise Fee Refund	(502)
Transfer to the Municipal Golf Fund (Subsidy)	(300)
Contingency Reserve	(200)
Police Administration Building Security Upgrades	(100)
Police Department Overtime	0
(\$7.0M from Salaries and Benefits to Overtime)	
Retirement Contribution Rec. and Salary Program	0
(\$6.5M between Reserves and Departments)	
Office of Emergency Services Grant Rec. Reserve	500
Net of Other Various Adjustments	576
Total Required Technical/Rebalancing Actions	\$ (6,156)

Grants/Reimbursements/Fee Activities (\$3.7 Million Net-Zero Adjustments)

	<u>(\$ in 000s)</u>
City Manager's Office (\$2.1 million)	\$0
Successor Agency City Subsidy	
Development Fee Program (\$1.1 million)	0
(e.g. Peak Staffing, Permitting System (AMANDA) Licenses)	
Parks, Rec. and Neigh. Services (\$680,000)	0
(e.g. After School Education and Safety Programs, Open Streets & St. James Park Revitalization)	
Miscellaneous Adjustments (\$320,000)	0
(e.g. BART Public Art Design)	
Total Grants/Reimbursements/Fee Activities	\$0

Urgent Fiscal/Program Needs in the General Fund Total \$2.2 Million

	<u>(\$ in 000s)</u>
Fiscal Reform Plan Implementation Reserve	\$ (2,000)
Hammer Theater Center Operations and Maintenance	(192)
Total Urgent Fiscal/Program Needs	\$ (2,192)

Special/Capital Funds Performance in Selected Funds

Airport Operating Funds

- Airport passenger activity increased 6.8% year-over-year (at 9.06 M passengers); funds finished the year with additional fund balance

Transient Occupancy Tax Fund

- Collections of \$17.9 M exceeded previous record (18% above 2012-2013)

Convention and Cultural Affairs Fund

- Continued strong activity in 2013-2014 led to revenue/expenditure growth; allows for future capital investment and incentive fee

Construction Excise and Building and Structure Construction Tax Funds

- Total of \$51.7 million exceeded 2000-2001 peak of \$38.2 million
- Additional Construction Excise Tax revenue of \$3.3 million allocated to pavement maintenance

Special/Capital Funds Recommended Actions

- **Clean-Up Actions**

- Fund Balance Reconciliations
- Rebudget Adjustments
- Retirement Contributions Reconciliation
- Salary Program (Employee Compensation Planning Reserves)
- Voluntary Furlough/Reduced Work Week Program
- Technical Adjustments (e.g., net-zero transfers/reallocations)

- **Recommended Adjustments**

- Recognize New Grants and Reimbursements
- Update Cost/Revenue Estimates and Project Timing
- Establish a Limited Number of New Projects

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