

**2008-2009
ANNUAL REPORT**

III. RECOMMENDED BUDGET ADJUSTMENTS AND CLEAN-UP ACTIONS

Recommended Budget Adjustments

This section of the Annual Report summarizes recommended budget adjustments in all funds and is broken down by General Fund and Special/Capital Funds. This section consists of the following types of changes:

General Fund

Urgent Fiscal/Program Needs – These actions recommend current year adjustments to address urgent budget issues or to correct errors discovered in the 2009-2010 Adopted Budget. Four urgent fiscal needs are recommended to be addressed through additional net General Fund ending fund balance and other offsetting actions described in the Program Funding Reallocations/Reductions section: a downward adjustment to the estimate for Sales Tax; an increase to the Economic Uncertainty Reserve; an increase to the Vacancy/Filled Position Elimination Impacts Reserve; and, finally, a net downward adjustment to overhead reimbursements related to the implementation of the salary and benefit program for employee concessions.

This document also recommends two actions to correct errors discovered in the 2009-2010 Adopted Budget. An increase to the Banking Services allocation is recommended to correct an inadvertent error in the total cost estimate for departmental services. Additionally, a downward adjustment to the Building Development Fee Program revenue is recommended to properly align revenue with the program's budget as approved in the 2009-2010 Adopted Budget.

Program Funding Reallocations/Reductions – This section recommends expenditure adjustments to fund the urgent fiscal/program needs described above, as well as two net-zero funding reallocations. Due to the current fiscal constraints in the General Fund, a comprehensive review of carryover 2008-2009 funds and 2009-2010 Adopted Budget allocations in City-Wide Expenses, Capital Contributions, and Departmental appropriations was conducted. This process identified recommended adjustments that are described in detail in the following section and are broken into three general categories:

- Alternative funding sources – Projects that can be reallocated to appropriate alternative funding sources with no impact on service levels or project implementation.
- Project savings/funding no longer needed – Projects where savings were identified, enabling the budget to be reduced with no impact to service levels or project implementation.
- Reduced allocations – Projects where funding reductions may have a service impact, but were determined to be prudent given higher priority urgent funding needs.

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Recommended Budget Adjustments (Cont'd.)

General Fund (Cont'd.)

Program Funding Reallocations/Reductions (Cont'd.)

Additionally, net-zero reallocations to City-Wide appropriations were identified by departments and are recommended to fund two urgent program needs. A recommendation to increase the Economic Incentive Fund is offset by a reallocation of savings from other related appropriations. An increase to fund a Public Safety Bond Projects Audit as approved by the Rules Committee on July 29, 2009 is recommended to be offset by a reduction to the Revenue Enhancement Consulting appropriation.

Development Fee Programs – This section recommends budget reductions as an initial response to significant declines in activities in the Planning, Building, and Fire Development Fee Programs, as well as a reduction to the revenue estimate for the Fire Fee Program. The Development Partners (Planning, Building, Fire, and Public Works) will bring additional rebalancing actions forward for City Council consideration later this fall, as necessary.

Grants/Reimbursements – These actions recognize new or adjusted grant revenue or reimbursements from other agencies and appropriate the funds for these purposes.

Special/Capital Funds

Special Fund Adjustments – These actions adjust revenue estimates based on updated information, recognize new grants and reimbursements, reflect changes in project and program allocations based on revised cost estimates, and establish a limited number of new projects and programs.

Capital Fund Adjustments – These actions adjust capital projects based on revised revenue, cost estimates, and project timing; reallocate project funding to and from reserves; and establish new projects to address current year needs.

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Clean-Up Actions

General Fund & Special/Capital Funds

This section consists of clean-up actions for the General Fund and Special/Capital Funds. The following types of adjustments are included:

Fund Balance Reconciliations – These actions revise the Beginning Fund Balance estimates in the 2009-2010 budget for all funds where the actual (although unaudited) 2008-2009 Ending Fund Balance/2009-2010 Beginning Fund Balance differed from the budgeted amount.

Fee Program Reconciliation – These actions adjust appropriations based on actual fee program reconciliations. In the four development fee programs (Building, Fire, Planning, and Public Works), these actions adjust fee reserves or appropriations to reflect the policy of preserving all expenditure savings and/or revenue excess/shortfall and related interest earnings resulting from year-end program reconciliations.

Rebudget Adjustments – These actions revise various appropriations to rebudget funds to complete prior year projects. Downward adjustments to previous rebudget actions are included if actual year-end revenues or expenditures were higher than anticipated, while upward adjustments are included if actual year-end revenues or expenditures were lower than anticipated.

Voluntary Furlough/Reduced Work Week Program – These net-zero adjustments to various departments reflect implementation of the Voluntary Furlough/Reduced Work Week Program. Savings of \$353,000 in the General Fund and \$836,000 in all funds is generated from employees taking unpaid time off (up to 45 hours) without the loss of accrued benefits (vacation, sick leave, and seniority) or reducing their weekly scheduled hours by as much as eight hours per week during the year. The majority of the General Fund savings (\$300,000) was assumed in the development of the 2009-2010 Adopted Budget by a temporary reduction to the Salary and Benefits Reserve. The actions reflected here remove the funds from the departments and restore the savings back to the Reserve as appropriate. The General Fund savings (\$53,000) above the amount assumed in the 2009-2010 Adopted Budget is recommended to be used to partially offset the salary and benefit program implementation related to employee concessions.

Salary and Benefit Program Adjustments – The 2009-2010 Salary and Benefit Program includes appropriation adjustments to various departments and funds to properly account for and distribute the most updated salary and benefit changes. In the 2009-2010 Adopted Budget, General Fund savings from concessions with bargaining groups, an updated life insurance rate, and the professional development program were temporarily reflected as a reduction to the Salaries and Benefits Reserve. The actions recommended in this report would remove the funds

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Clean-Up Actions (Cont'd.)

General Fund & Special/Capital Funds (Cont'd.)

Salary and Benefit Program Adjustments (Cont'd.)

from departments and return the savings back to the General Fund Salaries and Benefits Reserve and other funds' ending fund balance as appropriate. The replenishment of the General Fund Salaries and Benefits Reserve is partially offset by a downward adjustment to fund a correction to the City's contribution to prefunding of retirement costs. A recommendation is also included to increase departmental Personal Services allocations for the City's retiree healthcare contribution through the use of GASB 43/45 Liability (Retiree Healthcare) Reserves established in most funds.

Technical Adjustments – These actions correct errors or align revenues and/or expenditures among appropriations and funds for previously approved budget actions:

- **Net-Zero Funding Transfers/Reallocations** – These actions include net-zero transfers between appropriations and funds, redistributing funding allocations.
- **Grants/Reimbursement Revisions** – These actions include revenue and expenditure appropriation adjustments to reflect updated grant awards, assessment activity, and/or reimbursements for previously approved projects.
- **Other Adjustments:**
 - **Interest Earnings/Transfer to the General Fund** – These technical adjustments in special and capital funds budget interest earnings in these funds and the associated transfers of these earnings to the General Fund. Previously, interest earnings were swept directly into the General Fund, and these revised actions will properly align the transactions to comply with GASB requirements.
 - **City-Wide Grants Management System** – This action correctly aligns the City-Wide Grants Management budget by increasing the appropriated funds in the Low and Moderate Income Housing Fund (\$5,000) to correct an inadvertent error in the 2009-2010 Adopted Operating Budget. This augmentation is offset by a decrease to the Ending Fund Balance in this Fund.
 - **Transfer to Civic Center Fiscal Agent Transaction Fund** – These actions transfer remaining funds from the Civic Center Construction Fund and Civic Center Parking Fund to the Civic Center Fiscal Agent Transaction Fund to reduce future debt service payments related to the Civic Center project and to close-out these funds.

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Clean-Up Actions (Cont'd.)

General Fund & Special/Capital Funds (Cont'd.)

- **Other Adjustments** (Cont'd.)
 - **Vehicle Transfers** – Increases departmental transfers to the Vehicle Maintenance and Operations Fund to recover costs actually incurred in 2008-2009. Due to delays in charging departments for vehicle replacements and an incorrect labor rate included in the vehicle maintenance and operations cost calculation, the Fund was not fully replenished for expenditures in 2008-2009. These actions adjust the Fund in 2009-2010 to partially account for 2008-2009 costs.
 - **Adjustments to Budget Allocations to Reflect Revenue Received:**
 - **Comcast Public, Education, and Government (PEG) Access** – Per the City's agreement with Comcast, this reconciliation recommends allocating \$48,711 in revenue received from the City's cable provider and related interest earnings to the Public and Education Access – Capital Expenditures (\$42,387) and Government Access – Capital Expenditures (\$6,324) appropriations and rebudgeting \$10,932 in the PEG Access Facilities – Operations appropriation to complete a transfer to close out this appropriation.
 - **Energy Efficiency Program Implementation** – Per previous City Council direction, this technical adjustment allocates energy rebates received in 2008-2009 to a revolving energy efficiency City-Wide Expenses appropriation for future energy savings projects.
 - **Historic Preservation** – Increases the Historic Preservation appropriation to allocate revenue from a developer agreement related to a project on the Hitachi site.