

2012-2013 Annual Report

City Council Meeting – October 8, 2013; Item 3.3

1

2012-2013 Budget Performance Met Expectations

- 2012-2013 marked a turning point for the budget: first year in a decade where the Adopted Budget allocated a small General Fund surplus (\$10.4 M)
- As anticipated, economically sensitive revenues in the General Fund and other funds continued to improve; but most major revenues still below recent peak collection levels
- Overall, expenditures in all funds ended the year within or below approved levels
- General Fund ended 2012-2013 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 and fiscal reforms necessary to re-build organization and services

General Fund Ends Year With Small Additional Available Fund Balance

- General Fund ended the year with a fund balance of \$215.2 million; **\$2.2 million** (*0.1% of the budget – sources and uses*) above the estimate used to develop the 2013-2014 Adopted Budget
- Net of Development Fee Program reserves and other rebudgets and adjustments, the true ending fund balance was **\$4.8 million** (*0.2% of the budget – sources and uses*)
- The \$4.8 million in additional fund balance was generated by excess revenue (\$2.56 million) and expenditure savings (\$2.56 million), partially offset by lower liquidation of prior year carryover encumbrances (-\$273,000)

Economically Sensitive Revenues Continued to Grow, But Still Below Peak in Most Areas

Comparative Performance of Economically Sensitive Major Revenues* (\$ in millions)

Revenue Source	Recent Peak	Recent Low Pt	2011-2012	2012-2013	Change from 11-12	Change from Peak	Change from Low Pt
Property Tax	\$215.7 2008-09	\$197.2 2010-11	\$201.7	\$205.0	1.6%	(5.0%)	4.0%
Sales Tax	\$169.2 2000-01	\$127.2 2009-10	\$154.0	\$163.8	6.3%	(3.2%)	28.7%
Transient Occupancy Tax	\$27.3 2000-01	\$14.1 2003-04	\$22.5	\$25.3	12.5%	(7.5%)	78.7%
Development Fee Programs	\$45.5 2012-13	\$26.0 2009-10	\$40.5	\$45.5	12.6%	0%	75.1%
Construction & Conveyance Tax	\$49.0 2005-06	\$20.5 2008-09	\$25.4	\$34.4	35.4%	(29.8%)	68.1%
Bldg & Structure Construct Tax	\$17.5 2000-01	\$6.1 2009-10	\$12.6	\$13.8	9.4%	(21.0%)	124.8%

* Prior year figures not adjusted for inflation

Proposed Allocation of General Fund \$4.8 Million Fund Balance

	(\$ in 000s)
Additional 2012-2013 Ending Fund Balance	\$ 2,175
<i>Clean-Up Actions</i>	
• Development Fee Programs Reconciliation	(3,991)
• Rebudget/Clean-up Adjustments	<u>6,662</u>
Sub-total Clean-Up Actions	2,671
Fund Balance Available After Clean-Up Actions	\$ 4,846
<i>Recommended Budget Adjustments</i>	
• Required Technical/Rebalancing Actions	3,248
• Grants/Reimbursements/Fee Activities (\$2.0 M)	0
• Urgent Fiscal/Program Needs	<u>(8,094)</u>
Sub-total Recommended Adjustments	(4,846)
Fund Balance After Recommended Adjustments	\$ 0

Required Technical/Rebalancing Actions in the General Fund Generate \$3.3 Million

General Sales Tax	\$ 2,400
Salaries and Benefits Reserve (Health/Dental Savings)	2,287
2013-2014 Retirement Contributions Reconciliation	(820)
Airport Maint & Op Fund Overhead Reimbursements	(420)
Business Incentives	(218)
Miscellaneous Adjustments	19
Retiree Healthcare Contributions Reconciliation (\$3.9 M from Depts. to Reserve)	0
Salary Program (\$3.5 M from Reserve to Dept; 2% increase)	0
City Hall Debt Refunding (\$8.5 M savings including Development Fee Programs/\$7.7 M transfer to Hayes Debt)	0
Contingency Reserve (\$1.7 M from Future Deficit Reserve)	0
Total Required Technical/Rebalancing Actions	\$ 3,248

Grants/Reimbursements/Fee Activities (\$2.0 Million Net-Zero Adjustments)

	<u>(\$ in 000s)</u>
Parks, Rec. and Neigh. Services (\$1.2 M)	\$0
Senior Nutrition Program	
After School Education and Safety Programs	
Police Department (\$389,000)	0
Selective Traffic Enforcement Grant Program	
Silicon Valley Regional Interoperability Authority	
Computer Aided Dispatch Interface	
Sobriety Checkpoint Grant Program	
Miscellaneous Adjustments (\$346,000)	0
Maddie Lifesaving Grant	
Cirque du Soleil	
Total Grants/Reimbursements/Fee Activities	\$0

Urgent Fiscal/Program Needs in the General Fund Total \$8.1 Million

	<u>(\$ in 000s)</u>
General Liability Claims	\$ (6,500)
SARA City Legal Obligations Subsidy	(2,244)
SJ Police Officers' Association Employee Compensation Planning Reserve	(1,100)
Police Dept Community Service Officer Vehicles	(250)
SARA City Legal Obligations Reserve	2,000
Police Dept Overtime (\$1.5M Personal Svc Reallocation)	0
Total Urgent Fiscal/Program Needs	\$ (8,094)

Special/Capital Funds

Performance in Selected Funds

Airport Operating Funds

- Airport passenger activity increased 2.8% year-over-year (at 8.49 M passengers); funds finished the year with additional fund balance

Transient Occupancy Tax Fund

- Collections of \$15.2 M were at budgeted levels (11% above 2011-2012)

Convention and Cultural Affairs Fund

- Strong activity in 2012-2013 led to revenue/expenditure growth; with budget actions, fund balance remains relatively unchanged

Utility Funds

- Continued investments in the Water Pollution Control Plant, the Sanitary and Storm Sewer Systems, and the Water Utility System; delays in Environmental Innovation Center Project in Integrated Waste Management Fund; Funds ended the year with additional fund balance

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
- City Hall Debt Refunding
- Technical Adjustments (e.g., net-zero transfers/reallocations, appropriation retitle/reassignment, close-out of funds)

- **Recommended Adjustments**

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

Release of SARA PERS Levy/Water District Levy General Fund Contingency Plan

- **Enables projects/programs to move forward: \$13.0 M in 2013-2014 and \$2.7 M ongoing, including, but not limited to:**
 - Police Administration Building (\$1.4 M) and Police Communication Building (\$3.6 M) unmet/deferred infrastructure and maintenance
 - Operating/Capital Budget System Replacement Reserve (\$2.9 M)
 - 2014-2015 Homeless Response Team Reserve (\$1.5 M)
 - Preventative Maintenance Program (\$0.3 M)
 - Computer Server Replacements/Network Upgrades (\$0.25 M)
 - Economic Development/Incentive Fund (\$0.25 M)
 - City Hall Bamboo Courtyard Renovation (Water Intrusion) (\$0.25 M)
 - Real Estate Svcs Document Imaging/Record Retention System (\$0.2 M)
- **\$20 M General Fund Contingency Plan associated with the Supplemental Retiree Benefit Reserve elimination and the lowest cost healthcare plan changes remains in effect**

Next Steps (Through February 2014)

October: July/August Bi-Monthly Financial Report

December: September/October Bi-Monthly Financial Report

January: Community Budget Survey/Neighborhood Associations Meeting
2013-2014 Mid-Year Budget Review

February: City Council/Senior Staff Budget Planning
City Manager's Budget Request/
2015-2019 Five-Year Forecast

2012-2013 Annual Report

City Council Meeting – October 8, 2013; Item 3.3

13