



2015-2016

MID-YEAR
BUDGET
REVIEW



SECTION
III

RECOMMENDED
BUDGET ADJUSTMENTS AND
CLEAN-UP ACTIONS



**2015-2016
MID-YEAR BUDGET REVIEW**

**RECOMMENDED BUDGET ADJUSTMENTS
AND CLEAN-UP ACTIONS**

RECOMMENDED BUDGET ADJUSTMENTS

This section of the Mid-Year Budget Review describes recommended budget adjustments and is broken down by General Fund and Special/Capital Funds. This section consists of the following types of changes with further information found on the following pages:

General Fund

Urgent Fiscal/Program Needs – These actions recommend additional funding to address a very limited number of urgent fiscal/program needs. These adjustments are being brought forward for City Council consideration as part of this report, rather than later through the annual budget process, to comply with actions recently authorized by the City Council or because the Administration has deemed the need can or should not wait until later in the year.

Required Technical/Rebalancing Actions – These actions recommend adjustments to align already approved revenue estimates and expenditure budgets with the most current tracking information, or reallocate funding among appropriations based on updated needs.

Grants/Reimbursements/Fees – These actions, which have a net-zero impact, recognize new or adjusted grant, reimbursement, or fee activity revenue and adjust the appropriations for these purposes, as appropriate.

Special/Capital Funds

Special/Capital Fund Adjustments – These actions adjust revenue estimates based on current year collection information; recognize revenues from new or adjusted grants, reimbursements, and fees; reflect changes in project and program allocations based on revised cost estimates and project timing; reallocate project funding from reserves; and/or establish a limited number of new projects and programs.

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RECOMMENDED 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 – Beginning Fund Balances in each budgeted fund are adjusted each year as part of the Annual Report process based on unaudited Comprehensive Annual Financial Report (CAFR) statements. In very limited cases, however, additional actions are required at the Mid-Year Budget Review to further revise Beginning Fund Balances based on a reconciliation to the final audited 2014-2015 CAFR. In addition, this category also includes an adjustment to increase the Beginning Fund Balance and Ending Fund Balance in the Subdivision Park Trust Fund by \$8.1 million to account for actions that were not captured in the 2014-2015 Annual Report.

Salary Program – As recommended by the Salary Setting Commission and approved by the City Council on January 26, 2016, salary and vehicle allowance increases for the Mayor and City Council, retroactive to July 1, 2015, are included in this section. A reduction to the Salaries and Benefits Reserve (Management Pay for Performance Program savings) is recommended to offset these actions.

Management Pay for Performance Program – Actions are recommended in this report to increase various department Personal Services appropriations for Management Pay for Performance (MPP) Program costs where departmental budgets are not tracking to generate sufficient vacancy savings to absorb these additional costs (\$427,000 all funds; \$188,000 General Fund; \$249,000 Development Fee Programs). To offset these augmentations, this report includes recommendations to partially decrease the Salaries and Benefits Reserve allocation in the General Fund that was set aside for the Management Pay for Performance Program in the 2015-2016 Adopted Budget and reduce the Ending Fund Balances in the Special Funds as appropriate. Of the remaining amount available for the MPP Program in the General Fund, \$625,000 is recommended as a funding source to offset other actions in this report, \$133,000 is recommended to offset recently approved Mayor and City Council salary and vehicle allowance increases, and the remaining balance of \$77,000 will be used to assist in meeting the 2015-2016 ending fund balance estimate used as an ongoing funding source in the Five-Year General Fund Forecast.

Benefits Program – Actions are recommended in this report to increase various department Personal Services appropriations to accommodate lowest cost health plan rate increases (3.82%), effective January 1, 2016, where departmental budgets are not tracking to generate sufficient vacancy savings to absorb these additional costs (\$229,000 in all funds; \$194,000 in the General Fund). To offset these augmentations, decreases to the Salaries and Benefits Reserve (\$177,000) and Development Fee Program Reserves (\$17,000) in the General Fund and reductions to Ending Fund Balances in the Special

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Funds are recommended. It should be noted that the Salaries and Benefits Reserve allocation (\$1.6 million) in the General Fund that was set aside during the development of the 2015-2016 Adopted Budget forecasted an 8% increase to the lowest cost health plan rates based on national and City trend information received from the City's Human Resources Department benefits consultant. A 2.5% increase to dental rates was forecasted based on actuarial information from the Human Resources Department and an evaluation of funding levels in the Dental Insurance Fund. Actual costs resulted in a 3.82% increase in health and no increase to dental rates. Remaining savings in the Salaries and Benefits Reserve will assist in meeting the 2015-2016 ending fund balance estimate used as an ongoing funding source in the Five-Year General Fund Forecast.

Retirement Contributions Reconciliation – When the 2015-2016 Adopted Budget was developed, it was assumed that the City's retiree healthcare contribution rates for employees in the Federated City Employees' Retirement System (including Unit 99) costs would continue to ramp up to the full annual required contribution rates, as previously agreed to with the Federated unions. In December 2015, however, agreements were reached with all employee groups representing employees in the Federated City Employees' Retirement System (including Unit 99) to extend current retiree healthcare contribution rates until the implementation of an alternative pension reform settlement, or June 19, 2016, whichever comes first. Therefore, decreases to department Personal Services appropriations across all funds are recommended as a result of this action. One-time savings (\$2.1 million in all funds; \$1.2 million in the General Fund) are recommended to be allocated to Retiree Healthcare Solutions Reserves across many funds in the City, as appropriate and consistent with past City Council approval, for future retiree healthcare costs. In addition, approximately \$250,000 of savings are included to be returned to the Development Fee Programs as these savings were assumed during the development of the fee programs in the 2015-2016 Adopted Budget.

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, funds and revenue categories, and the redistribution of funding allocations. This category may also include minor adjustments for funding needs that total less than \$5,000.
- **Interest Earnings** – These actions increase several revenue estimates for interest earnings anticipated to be received in various Capital and Special Funds in 2015-2016. Offsetting adjustments to increase the corresponding transfer of these interest earnings to the General Fund are also included in this report.

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- Technical Corrections – These actions revise project appropriations in the 2015-2016 budget to correct inadvertent rebudget or allocation errors, offset by Ending Fund Balance or corresponding project appropriation actions.