

**2013-2014**

**ANNUAL  
REPORT**

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



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**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**

**Required Technical/Rebalancing Actions** – These actions recommend current year adjustments to align budgeted revenue and expenditures with the most current information, or to correct technical problems in the 2014-2015 Adopted Budget. Additional detailed information on these adjustments can be found in the following pages in this section.

**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. Additional detailed information on these adjustments can be found in the following pages in this section.

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

**Special/Capital Funds**

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

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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 2014-2015 budget for all funds where the actual (unaudited) 2013-2014 Ending Fund Balance/2014-2015 Beginning Fund Balance differed from the budgeted amount.

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

**Rebudgets** – These actions revise various appropriations to rebudget funds to complete prior year projects. Downward adjustments to previously approved 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.

**Retirement Contributions Reconciliation** – Due to the change in methodology (2011-2012) for paying the City’s annual required contribution to a minimum amount or the amount generated by a rate, a Retirement Contributions Reconciliation was completed for both the Federated City Employees’ Retirement System and the Police and Fire Department Retirement Plan. This reconciliation is completed annually and included as part of this document to ensure that all City funds contain the correct contribution amounts for 2014-2015. Based on the final City contribution amounts as determined by the two retirement boards in May 2014 and the actions incorporated into the 2014-2015 Adopted Budget, no additional funds are required to meet the retirement payments. However, the net-zero reallocation of retirement funding set aside as part of the Employee Compensation Planning Reserve for potential pay increases for the International Association of Firefighters, Local 230 is recommended to be allocated to the Fire Department to cover annual required retirement contributions. In total, retirement costs for 2014-2015 are budgeted at \$235 million in the General Fund and \$305 million in all funds (factoring in the Retiree Healthcare Solutions Reserve adjustments described below).

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In addition, in September 2014, agreements were reached with all employee groups representing employees in the Federated City Employees' Retirement System (including Unit 99) to extend, until June 21, 2015, the phase-in to fully fund the annual required contribution for retiree healthcare benefits. These agreements are scheduled to be heard by the City Council on October 7, 2014. One-time savings of \$3.9 million in all funds (\$2.3 million in the General Fund) is recommended to be allocated to Retiree Healthcare Solutions Reserves across many funds in the City, as appropriate. These funds have been set aside to be used as needed for future retiree healthcare costs.

**Salary Program** – The 2014-2015 Salary Program includes net-zero adjustments to various departments and funds to reflect a 3.0% salary increase that was negotiated and agreed to by the City and five bargaining units (Association of Building, Mechanical & Electrical Inspectors (ABMEI), Association of Engineers and Architects (AEA), Association of Maintenance Supervisory Personnel (AMSP), City Association of Management Personnel (CAMP), and the International Brotherhood of Electrical Workers (IBEW), effective June 22, 2014. As part of the development of the 2014-2015 Adopted Budget, Employee Compensation Planning Reserves were established in anticipation of modest salary adjustments in 2014-2015. With a net-zero impact, the actions reflected in this report increase funding to the various affected departmental budgets and reduce Employee Compensation Planning Reserves across all affected funds, accordingly. It should be noted that the Salary Program adjustments contained in this report total \$1.4 million in the General Fund and \$2.8 million in all funds.

**Voluntary Furlough/Reduced Work Week Program** – Adjustments to various departments' Personal Services appropriations reflect implementation of the Voluntary Furlough/Reduced Work Week Program in 2014-2015. Savings in the General Fund (\$225,000) will be 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. Savings of \$150,000 was assumed in the development of the 2014-2015 Adopted Budget and was temporarily funded from the General Fund Salaries and Benefits Reserve. The actions reflected in this report remove the actual savings from the departmental budgets and appropriately restore the funding to the Salaries and Benefits Reserve. The remaining savings of \$75,000 are recommended to offset other budget actions as described elsewhere in this report.

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**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.
- **Close-out of Funds** – This action includes a revenue and expenditure appropriation adjustment to reflect the final reconciliation required to close out a fund that is no longer used.
- **Other Adjustments:**
  - **Artificial Turf Capital Replacement Reserve** – This technical adjustment adds funding to a reserve that was established as part of the 2014-2015 Adopted Operating Budget for future replacement of artificial turf fields. This reserve is supported by the field reservation revenues, less the cost to maintain and operate the artificial turf fields.
  - **Capital Reserve** – This technical adjustment included in the Convention and Cultural Affairs Fund resolves a discrepancy between the Capital Reserve amount included in the 2013-2014 Modified Budget (\$1.22 million) and the 2013-2014 Estimate assumed in the development of the 2014-2015 Adopted Budget (\$1.72 million). A technical adjustment of \$500,000 is required to restore the Capital Reserve to its previously assumed level of \$1.72 million, funded by additional ending fund balance from 2013-2014.
  - **Comcast Public, Education, and Government (PEG) Access** – These technical adjustments reflect a reconciliation of actual revenue received from the City's cable provider and related interest earnings. As a result of higher than budgeted revenues received, these technical adjustments increase the City-Wide Expenses Public and Education Access – Capital Expenditures appropriation by \$36,606 and the City-Wide Expenses Government Access – Capital Expenditures appropriation by \$2,908.
  - **General Plan Update Reserve** – This technical adjustment reflects a reconciliation of actual annual revenues received compared to the modified budget revenue estimate. A General Plan Update fee is applied to certain planning permits and activities, and the revenues received are restricted to activities related to General Plan updates. The adjustment of \$66,014 allocates the additional revenues to the General Plan Update Reserve.

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- **Leland Sports Field Repayment** – This technical adjustment transfers funding toward the full repayment of \$350,000 to the Council District #10 Construction and Conveyance (C&C) Tax Fund. Funding was advanced to the Leland Sports Field project from this District to support the addition of an enhanced concession/storage/bathroom facility at the Leland Sports Field. As approved by the City Council in March 2007, fees collected from the use of this sports field will support ongoing operational and maintenance costs, repay the Council District #10 C&C Tax Fund, and establish a reserve for future replacement of the turf prior to the expiration of the agreement. Technical adjustments recommended in this report transfer \$85,000 in additional fee revenue in excess of operating costs from the General Fund to the Leland Turf Replacement Reserve in the Council District #10 C&C Tax Fund. A total of \$69,000 remains to be repaid to the Council District #10 C&C Tax Fund.
  
- **Wellness Program** – Historically, revenue has been received from the City’s healthcare providers for Wellness Program activities. This technical adjustment reflects a reconciliation of revenues received from the City’s healthcare providers and expenditure savings realized in the Wellness Program during 2013-2014 (\$104,672) and allocates funding to the Wellness Program Reserve for future use. In addition to this reconciliation, a separate budget adjustment is recommended in this report to reflect the elimination of this funding source starting in 2014-2015.