

<b>2012-2013 MID-YEAR BUDGET REVIEW</b>
---

## STATUS OF GENERAL FUND EXPENDITURES

### OVERVIEW

General Fund expenditures through December totaled \$383.1 million, or 34.2% of the total 2012-2013 modified budget. This represents an increase of \$8.5 million, or 2.3%, from the December 2011 level of \$374.6 million. Encumbrances totaling \$36.2 million were \$556,000 (1.6%) above the December 2011 level of \$35.6 million. Expenditures and encumbrances through December of \$419.3 million constituted 41.4% of the total modified budget (excluding reserves) of \$1.0 billion.

The following chart displays the year-to-date expenditures (excluding encumbrances) compared to the prior year, by category.

**2012-2013 General Fund Expenditures through December**  
(\$ in Thousands)

Category	Current Budget	Y.T.D. Actual	% of Budget	Prior Year % of Budget
<b>Departmental Expenditures</b>				
Personal Services	586,155	269,095	45.9%	48.0%
Non-Personal/Equipment	95,907	28,840	30.1%	32.1%
Other Departmental	16,007	6,687	41.8%	45.1%
City-Wide Expenses	264,296	44,816	17.0%	11.4%
Capital Contributions	20,711	4,965	24.0%	16.4%
<i>Subtotal Departmental Expenditures</i>	<i>983,076</i>	<i>354,403</i>	<i>36.1%</i>	<i>48.1%</i>
<b>Non-Departmental Expenditures</b>				
Transfers	29,013	28,699	98.9%	98.4%
Reserves	106,904	-	0.0%	0.0%
<i>Subtotal Non-Departmental</i>	<i>135,917</i>	<i>28,699</i>	<i>21.1%</i>	<i>21.6%</i>
<b>Total</b>	<b>1,118,993</b>	<b>383,102</b>	<b>34.2%</b>	<b>35.3%</b>

Overall, General Fund expenditures are tracking within anticipated levels and are expected to end the year with savings.

#### Recommended Adjustments

Various budget adjustments are recommended in this document to accomplish the following major urgent and required items:

- Address a limited number of urgent program/fiscal needs, including: an increase of \$6.9 million to the 2013-2014 Future Deficit Reserve (from \$22.5 million to \$29.4 million) funded by a one-time payment from the County to reflect the recalculation of prior year Property Tax Administration Fees; and the establishment of a \$4.0 million Police Overtime Reserve funded from Police personal services savings to ensure that sufficient overtime resources are available to partially offset the impact of vacancies through next year.

**2012-2013  
MID-YEAR BUDGET REVIEW**

**STATUS OF GENERAL FUND EXPENDITURES**

**OVERVIEW**

- Implement required technical and rebalancing actions (-\$17.5 million) including:
  - Recognize savings of \$4.4 million in departmental, City-Wide expenses, and reserves to set aside in the 2012-2013 Ending Fund Balance Reserve of \$12.0 million that was assumed to be available in 2012-2013 and used as a funding source for 2013-2014;
  - Reduce the City-Wide Expenses category by \$25.0 million to reflect the lower Tax Revenue Anticipation Notes (TRANS). The TRANS issuance totaled \$100 million rather than the \$125 million originally budgeted; and
  - Addresses a limited number of required technical/rebalancing needs including additional funding of \$1.0 million for the Workers Compensation Claims – Fire appropriation.
- Recognize grant, reimbursement, and/or fee related funds (\$1.9 million).

In total, adjustments recommended in this document result in a net reduction of \$8.8 million to General Fund expenditures. Additional information on these adjustments can be found in Section III of this document. The following discussion highlights major General Fund expenditure activities through December.

Departmental Expenditures

Departmental expenditures include Personal Services (salaries, other compensation, overtime retirement, health, and other fringe benefit costs), Non-Personal/Equipment, and Other Departmental expenses. Personal Services costs represent the largest single General Fund expense category for the City. These costs accounted for 70.2% of the General Fund expenditures to date.

Through December, Personal Services expenditures for all City departments totaled 45.9% of the current modified budget, which is slightly below expectations at this point of the year. This expenditure level was also below the 48.0% expended through December last year. Overall, Personal Services expenditures are tracking to end the year with significant savings. Currently, the City has nearly 600 vacancies representing over a 10% vacancy factor throughout the City (all funds). Although some of these vacancies are backfilled with temporary staffing, vacancy savings are substantial throughout the organization. As described in Section III of this document, budget actions are recommended to set aside \$2.3 million of this savings in the Parks, Recreation and Neighborhood Services (\$900,000); Information Technology (\$550,000); and Planning, Building and Code Enforcement (\$300,000) Departments, as well as the Office of the City Manager (\$500,000), into a 2012-2013 Ending Fund Balance Reserve. In addition, savings of \$4.0 million in the Police Department's Personal Services appropriation, reflecting approximately 1.5% of the Department's 2012-2013 Modified Budget, are recommended to be set aside in a Police Department Overtime Reserve to provide for anticipated overtime needs in 2013-2014. As described in Section III of this document, based on current attrition rates and projected hiring, the Police Department is expected to begin 2013-2014 with approximately 80

**2012-2013  
MID-YEAR BUDGET REVIEW**

**STATUS OF GENERAL FUND EXPENDITURES**

**OVERVIEW**

sworn vacancies. It is anticipated that additional overtime funding will primarily be needed in 2013-2014 to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars.

Non-Personal/Equipment expenditures of \$28.8 million are also tracking within anticipated levels with 30.1% expended through December, slightly below prior year levels of 32.1% in December 2011. In addition to the funds actually expended, \$19.7 million was encumbered, bringing the total amount of funding committed to \$48.5 million, or 50.6% of the budget. Overall, these expenditures are expected to remain within budget for all departments with some savings generated by year-end. As described in Section III of this document, the reallocation of personal services savings to Non-Personal/Equipment appropriations is recommended for the Finance Department, Human Resources Department, and City Clerk's Office to ensure sufficient funding for recruitment support and the backfilling of vacant positions with temporary contractual staffing. In addition, vehicle maintenance and operations savings in the Police Department are recommended to be reallocated to other urgent department needs as described later in this section.

The Other Departmental category includes the budget for the Mayor and City Council, Library Grants, and Parks, Recreation and Neighborhood Services Fee Activities. Other Departmental Expenditures totaled \$6.7 million or 41.8% of the budget.

*Non-Departmental Expenditures*

Non-Departmental expenditures include City-Wide Expenses, Capital Contributions, Transfers, and Reserves.

Through December, City-Wide Expenses totaled \$44.8 million, or 17.0% of the modified budget of \$264.3 million. With encumbrances, the total amount of funding committed was 22.6% of the budget. Overall, expenditures are anticipated to generate net savings by year-end, which is recommended to be reallocated to establish a portion of the 2012-2013 Ending Fund Balance Reserve. A few upward and downward adjustments to City-Wide Expenses appropriations are recommended in this document to align the budget with the year-end expenditure projections.

Within City-Wide Expenses, the Strategic Support City Service Area (CSA) category represents the largest portion of funding with \$194.9 million budgeted. In part, this is due to the inclusion in this category of the \$126.0 million principal and interest repayment appropriation for the Tax and Revenue Anticipation Notes (TRANS) issued for cash flow purposes. For the first six months of the year, the Strategic Support CSA category is 11.0% committed (30.5% committed excluding the TRANS appropriation). The expenditure tracking for these Strategic Support allocations can vary significantly depending on payment schedules and the timing of projects. In some instances, the appropriations will not be fully expended by year-end because of the multi-year nature of some larger projects. As needed, recommendations will likely be brought forward at the end of the year to rebudget any savings to 2013-

**2012-2013  
MID-YEAR BUDGET REVIEW**

**STATUS OF GENERAL FUND EXPENDITURES**

**OVERVIEW**

2014 to complete projects in progress. The following highlights key appropriations in this CSA and transactions recommended in this document.

The TRANs was issued in July 2012 for a substantially lower amount than budgeted (\$100.0 million principal issuance compared to a budgeted issuance of \$125 million). Therefore, the TRANs Debt Service appropriation is recommended to be decreased \$25.2 million (partially offset by a \$25.0 million reduction in revenue) to reflect the lower issuance as well as net savings of \$200,000 due to a lower than budgeted cost of issuance. The net savings of \$200,000 is recommended to be reallocated to the 2012-2013 Ending Fund Balance Reserve.

The General Liability Claims appropriation, a \$10.0 million component of City-Wide Expenses - Strategic Support category, is 39.4% expended or encumbered through December compared to the 33.3% expended in December 2011. As described in the 2011-2012 Annual Report, the General Liability Claims appropriation would be used to fund 50% of a \$6.0 million verdict that was recently rendered against the City. The City submitted a post-trial motion to reduce the verdict, which is still pending a decision by the courts. Expenditures in this category are traditionally difficult to predict, given the nature of litigation. It should be noted that the litigation exposure far exceeds the amount in this appropriation and the corresponding reserve combined. The City Manager's Budget Office and the City Attorney's Office will continue to monitor this appropriation as the year progresses.

The Workers' Compensation State License appropriation is projected to exceed its budget by \$142,000, and an upward adjustment to this appropriation (from \$730,000 to \$872,000) is recommended to ensure sufficient funding is available. The current budget assumed a 7% increase in costs and the actual increase was 34%. Per the State, this is primarily due to the implementation of SB 863, which increased the permanent disability rates effective January 1, 2013 and requires a greater oversight by the State.

Sick Leave Payment Upon Retirement expenditures of \$795,000 through December reflect 8.8% of the total 2012-2013 budget of \$9.0 million. Typically, the majority of the expenses in this appropriation occur in the second half of the year. Historically, through December, approximately 15%-30% of the total year end expenditures occur through December. Expenditures are expected to remain within budgeted levels by year end.

The Property Tax Administration Fee (PTAF) provides a payment to the County for the cost to administer property taxes. As discussed elsewhere in this report, per the Supreme Court of California, a prior ruling in the Alhambra et al. v. County of Los Angeles case was upheld addressing how the County calculated and imposed property tax Administration fees on Cities for their share of County's costs in administering the property tax system. The Supreme Court affirmed that the County's method of calculation violated the tax code. As the City of Alhambra et al. v. County of Los Angeles is now final, the County of Santa Clara has recalculated PTAF, resulting in significant cost savings in 2012-2013. A

**2012-2013  
MID-YEAR BUDGET REVIEW**

**STATUS OF GENERAL FUND EXPENDITURES**

**OVERVIEW**

budget action is recommended to reduce this appropriation by \$1.5 million (from \$3.3 million to \$1.6 million) and reallocate those funds to the 2012-2013 Ending Fund Balance Reserve.

The budget for the Community and Economic Development CSA category totals \$22.6 million and is 74.4% committed through December. The largest appropriation in this category is the Convention Center Lease Payments appropriation (\$15.3 million), which accounts for its debt service payments. Expenditures in this appropriation totaled \$12.3 million through December.

The remaining City-Wide Expenses categories, Environmental and Utility Services (\$6.5 million budget), Neighborhood Services (\$9.0 million budget), Public Safety (\$23.3 million budget), and Transportation and Aviation Services (\$8.0 million budget), tracked at 49.8%, 69.4%, 40.8%, and 29.5% committed, respectively, through December. A majority of these appropriations reflect grants and reimbursed services and it is anticipated that these expenditure categories will end the year within budgeted levels with one exception. The Parking Citations/Jail Courthouse fees appropriation in the Transportation and Aviation Services category is projected to end the year significantly below (\$400,000) budgeted levels of \$2.5 million. This lower expenditure level reflects the reduction in anticipated parking citations, which is also expected to result in lower parking fines of \$1.25 million. Downward adjustments to both the revenue estimate and the expenditure line item are recommended in this document to reflect this lower activity level.

The Workers' Compensation Claims appropriations, which are spread across several of the City-Wide Expenses categories, total \$17.3 million in the General Fund. For the first half of the year, expenditures and encumbrances of \$8.6 million are tracking higher than anticipated levels with approximately 50% expended. Based on historical expenditure trends and current tracking, expenditures are projected to end the year above budgeted levels by approximately \$1.0 million, primarily due to higher Fire Department claims. Based on the data in the workers' compensation claims tracking system, the number of claims overall through the first six months of the fiscal year was down 2.2% when compared to the first six months of 2011-2012, while the costs per claim were up. It is important to note that there can be significant expenditure variances from month to month, and the claims costs for November and December do show improvement.

In the Fire Department, claims expenditures through December of \$3.0 million were up 21.6% from the prior year. The workers' compensation tracking system reflected a 10.4% increase in the number of claims through December when compared to the same time period in 2011-2012. Also, Fire medical costs have increased 49.8% (\$560,000) compared to last year as a result of a spike in the severity of injuries requiring surgery, hospital stays, and prescription drugs. In addition, permanent disability claims have increased by 11.2% (\$105,000) compared to last year. Due to the volatile nature of this appropriation, additional funding of \$300,000 is also recommended to ensure that sufficient funds for potential higher payments are available, thus, a total upward adjustment to the Fire Workers' Compensation Claims appropriation of \$1.0 million is recommended in this document. The Fire

**2012-2013  
MID-YEAR BUDGET REVIEW**

**STATUS OF GENERAL FUND EXPENDITURES**

**OVERVIEW**

Department is developing a comprehensive and aggressive modified duty program to enhance the early return to work of employees on disability leave to help control costs. The Fire Safety Committee is prioritizing the review of injury trends, safety prevention, and overall injury reduction.

Workers' compensation claims costs for Transportation Department are also projected to exceed budgeted levels by \$50,000. New claims are up by 24% and medical expenses are higher than last year by 14%. Workers' compensation claims costs for Public Works Department are tracking below estimated levels and are recommended in this report to be reallocated to offset this projected shortfall. The Transportation Department is reviewing injuries to improve its safety prevention and to help control costs.

In addition, a number of City-Wide Expenses appropriation increases are recommended to recognize additional grant activity funding. These expenditure increases are offset by corresponding increases in grant revenue. Additional details on all these transactions can be found in Section III of this document.

Through December, General Fund Capital expenditures totaled \$5.0 million and encumbrances totaled \$1.7 million, bringing the amount committed to \$6.7 million, or 32.2% of the \$20.7 million budget. Overall, General Fund Capital expenditures are expected to end the year close to budgeted levels and no savings are anticipated at this time.

Transfers of \$28.7 million are 98.9% expended through December as anticipated. Almost all of the transfers to the General Fund are processed at the beginning of the year.

There are no expenditures against the Reserves budget of \$106.9 million because expenditures cannot be charged directly to a reserve. Several budget actions are recommended in this document that impact General Fund Reserves. The major actions are described below.

The establishment of a \$12.0 million 2012-2013 Ending Fund Balance Reserve is recommended to be funded by a combination of excess revenues (\$7.6 million) and expenditure savings (\$4.4 million). This action sets aside and secures the excess revenues and expenditure savings assumed to be available in 2012-2013 and used as a funding source for 2013-2014. In the 2013-2017 Five-Year Forecast issued in February 2012, it was assumed that \$18.5 million of fund balance generated from a combination of excess revenues, expenditure savings, and the liquidation of prior year carryover encumbrances would be available at the end of 2012-2013 as a funding source in 2013-2014. Assuming \$2.5 million will be generated from the liquidation of prior year carryover encumbrances, a total of \$16.0 million from excess revenues and expenditure savings is necessary to meet the prior Forecast estimate. The recommended actions in this document would set aside \$12.0 million of the \$16.0 million, or 75% of the targeted amount based on activity through December. The remaining \$4.0 million needed for the ending fund balance will be determined and recommended as part of the year-end clean-ups memorandum that will be brought forward for consideration in June 2013.

<b>2012-2013 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF GENERAL FUND EXPENDITURES**

**OVERVIEW**

An increase of \$6.9 million to the 2013-2014 Future Deficit Reserve is recommended and would be offset by a one-time payment from the County of Santa Clara to reflect the recalculation of prior year Property Tax Administration Fees (PTAF). As discussed above, the City of Alhambra had successfully sued the County of Los Angeles regarding the calculation of these fees. On January 25, 2013, the County notified the City that it was prepared to remit the disputed PTAF. The City's additional PTAF for the affected years from 2004-2005 through 2011-2012 totaled \$6.9 million, \$6.7 million in PTAF adjustments and earned interest of \$223,000.

The establishment of a \$4.0 million Police Department Overtime Reserve is recommended and would be funded from Police personal services savings. As discussed above, the Police Department is expected to begin 2013-2014 with approximately 80 sworn vacancies. It is anticipated that additional overtime funding will be needed in 2013-2014 to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars. The establishment of this reserve will provide the necessary overtime funding to continue to address these and other Police needs in 2013-2014.

A decrease of \$2.0 million to the Salaries and Benefits Reserve is recommended to reflect the reconciliation of the health benefit costs for 2012-2013. These funds are recommended to be allocated as follows: distribute funding to departments that do not have sufficient salary savings to absorb the 9.2% increase in health costs effective January 2013 (\$499,000); reallocate the savings associated with the lower than budgeted health rate increase (9.2% actual increase compared to 11% increase assumed in the Salary and Benefits Reserve) to the 2012-2013 Ending Fund Balance Reserve (\$407,000); and reallocate the funding that is not necessary to be distributed to departments due to sufficient vacancy savings to address other funding needs recommended in this document (\$1.1 million). Further details on this action as well as others can be found in Section III of this Report.

No budget action is recommended to reduce the Contingency Reserve, which is currently at the \$29.3 million level.

**DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS**

<b>Expenditure Status (\$ in thousands)</b>			
<u>Department</u>	<u>2012-2013 Budget</u>	<u>Y.T.D. Actual</u>	<u>Prior Y.T.D. Actual</u>
<b>Fire</b>	\$154,387	\$71,769	\$73,870

Overall, expenditures for the Fire Department were tracking slightly lower than budgeted estimates through December, with 47.3% expended. Personal Services expenditures through December tracked

**2012-2013  
MID-YEAR BUDGET REVIEW**

**STATUS OF GENERAL FUND EXPENDITURES**

**DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS**

lower than budgeted levels of \$146.2 million, with \$68.8 million expended (47.1% compared to the par of 48.1%). The Fire Department's Non-Personal/Equipment budget of \$8.2 million was 51.9% expended or encumbered through December. Both appropriations are expected to end the year within their respective budgeted allocations.

Although personal services expenditure levels were tracking slightly below budgeted estimates primarily due to the time needed to hire the SAFER 2011 Firefighters, overtime expenditures of \$3.6 million were tracking above estimated levels (63.8% compared to the par of 48.1%). The daily deployment of Engine 29 has contributed to the increased overtime usage. Engine 29 is activated daily to mitigate the impact of the temporary relocation of Fire Station 5 personnel to Fire Station 34. Fire Station 5 has been temporarily closed while urgent repairs are completed. The Fire Department will continue to implement overtime control measures specifically as it relates to activities not related to filling minimum staffing requirements. In addition, the Fire Department staff will continue to monitor minimum staffing on a daily basis to minimize any overage in the overtime and ensure that overall personal service expenditures remain within budget by year-end.

Through December, the Fire Department was staffed with 174 filled Firefighter Paramedic positions (161 front-line Firefighter Paramedics, 5 Supervisor Paramedics, and 8 Support Paramedics) compared to the 139 front-line Firefighter Paramedics that are necessary to fully staff all apparatus. The Department projects it will have no issues maintaining the target staffing level of 139 front-line Firefighter Paramedics.

As part of the City Council's approval of Department absence and vacancy rates (March 2010), it should be noted that the number of sworn administrative staff in the Department through December was 38. The authorized number of 33 sworn administrative staff was exceeded due to the temporary administrative assignment of 1.0 Firefighter and 1.0 Fire Captain who are assisting with the October Firefighter Recruit Academy, 1.0 Fire Captain working on updates to the Fire Engineer Academy, and 2.0 Firefighters who are on temporary administrative assignments. The Fire Department is currently evaluating their staffing allocations and anticipates reducing the number of sworn administrative staff by March to more closely align with authorized levels.



<b>2012-2013 MID-YEAR BUDGET REVIEW</b>
---

**STATUS OF GENERAL FUND EXPENDITURES**

**DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS**

**Expenditure Status (\$ in thousands)**

<u>Department</u>	<u>2012-2013 Budget</u>	<u>Y.T.D. Actual</u>	<u>Prior Y.T.D. Actual</u>
<b>Police</b>	\$297,443	\$130,867	\$137,392

On an overall basis, Police Department expenditures are tracking below estimated levels. Personal Services expenditures of \$123.9 million tracked under anticipated levels (45.7% compared to the par of 48.1%); however, overtime expenditures of \$8.3 million through December tracked at anticipated levels with 48.1% expended. Based on current trends, personal services savings are tracking to end the year with savings of approximately \$5.0 million. Budget actions are recommended in this document to allocate \$4.5 million of those projected savings to address overtime needs in both 2012-2013 and 2013-2014.

Overtime has primarily been used to backfill for vacant patrol positions, expand targeted enforcement of high crime activity related to gangs through suppression cars, and provide funding to continue backgrounding work on sworn and civilian hiring until a contract is in place. Several actions approved in the Annual Report increased the Department's overtime funding by \$3.9 million (from \$13.3 million to \$17.2 million) to ensure the Department has sufficient overtime resources in 2012-2013, based on recent increases in crime activity and discussions that occurred as part of the City Council Study Session on Public Safety on September 18, 2012. An action is recommended in this report to reallocate additional salary savings of \$500,000 to overtime to allow the Department to continue targeted investigations such as seeking out persons who are prohibited from carrying guns but are known to have them in their possession as well as account for any increased need for targeted enforcement through the remainder of 2012-2013. In addition, an action in this report recommends that \$4.0 million of the projected personal services savings be set aside to establish a Police Department Overtime Reserve for 2013-2014. Although the Department is conducting police officer recruit academies to hire for the sworn vacancies, the Department is anticipated to begin 2013-2014 with at least 80 sworn vacancies based on current attrition rates. It is anticipated that additional overtime funding will be needed in 2013-2014 to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars.

Overtime consists of overtime expenditures and compensatory time. In addition to monitoring overall overtime usage, the Memorandum of Agreement with the Police Officer's Association limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of December 2012 was 160,585 hours for sworn personnel. This represents a decrease of 6,248 hours (3.7%) from the October 2012 balance of 166,833, and a 5,028 hour decrease (3.0%) compared to the December 2011 balance of 165,613. The Budget Office and Police Department will continue to closely monitor personal services to ensure expenditures are within appropriated levels by year-end.

**2012-2013  
MID-YEAR BUDGET REVIEW**

**STATUS OF GENERAL FUND EXPENDITURES**

**DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS**

As of January 28<sup>th</sup>, the Department had 1,109 authorized sworn staff, of which there were 56 sworn vacancies (5.0%) and 99 positions that were not filled with street ready personnel (8.9%). In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department was budgeted to conduct two Police Officer Recruit Academies, one in September 2012 and another one in April 2013. As of January 28<sup>th</sup>, the Department had 43 recruits in the September 2012 academy and these Police Officers will be street ready in June 2013. It is important to note that the 15 direct hire officers that completed an academy elsewhere and were eligible to immediately begin the Field Training Officer program became street ready in January.

Of the 441 authorized civilian positions, the Department had 70 vacancies (15.9%) as of January 28<sup>th</sup>. Within civilian positions, the department has 163 authorized positions in the Communications Division (9-1-1 Emergency Dispatch Center), and as of January 28<sup>th</sup>, 37 (22.7%) positions were vacant. The Police Department and the Human Resources Department are closely working together to develop a strategy to fill the Communications vacancies as quickly as possible as well as other critical civilian vacancies within the Police Department. The Police Department plans to conduct three Basic Dispatcher Academies in 2013, in February, June, and November, as opposed to the usual two academies. The February Academy will have 12 recruit dispatchers and call-takers, another 50 applicants are moving forward to the background phase for the June Academy, and the Department currently has approximately 1,600 applicants to screen for the November Academy.

Through mid- January the Department spent \$282,000 of its \$351,000 budget for recruitment (80.3%), which includes expenditures for equipment, event registration, and overtime to staff the events. As part of this report, an additional \$200,000 in recruitment funding is recommended in order to ensure sufficient resources are available for extended recruitment efforts in the next several months as further discussed below.

A total of \$10.5 million (40.3%) of the Department's Non-Personal/Equipment budget was expended or encumbered through December. Excluding the remaining balances for centrally-determined details, including electricity, gas, and vehicle maintenance and operation and replacement, the Department has approximately \$6.8 million, or 52.9% of the non-centrally-determined appropriation available for the remainder of the fiscal year.

Several actions in this report reallocate \$487,000 in vehicle maintenance and operations funding within the Police Department's Non-Personal/Equipment appropriation. Due to the number of sworn vacancies in the Department, fewer patrol cars are being driven, resulting in lower vehicle maintenance and operations costs. A portion of the savings (\$212,000) is recommended to be reallocated to pay for the contract with the South Bay Public Safety Consortium for the April 2013 academy which was inadvertently not funded as part of the 2012-2013 Adopted Operating Budget. In order to attract the most qualified sworn and civilian candidates to the Department, savings of \$200,000 is recommended to be reallocated for recruitment efforts and will be used to attend job fairs within in the Bay Area and

**2012-2013  
MID-YEAR BUDGET REVIEW**

**STATUS OF GENERAL FUND EXPENDITURES**

**DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS**

California as well as outside the State. In addition, funding will be used for advertising and informational material to be distributed to potential candidates. Savings of \$75,000 is proposed to fund the helicopter's scheduled 12-year major maintenance inspection as recommended by the manufacturer's specifications. This overhaul procedure requires a complete teardown and inspection of all components. In addition, repair work is needed to fix an engine module that recently failed in flight. It is estimated that the inspection and repair work could take up to five months to complete. During the repair work, the Department will rely on the partnership with the Santa Clara County Sheriff's Office to provide helicopter coverage for the City. The Budget Office and the Department will monitor expenditures closely to ensure expenditures are within appropriated levels by year-end.

**CONTINGENCY RESERVE**

The General Fund Contingency Reserve remains at \$29.3 million through December, with no revisions through the first six months of the fiscal year.