



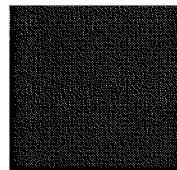
2012-2013

MID-YEAR  
BUDGET  
REVIEW



SECTION  
III

RECOMMENDED  
BUDGET ADJUSTMENTS AND  
CLEAN-UP ACTIONS



**2012-2013  
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 includes the following types of changes:

**General Fund**

**Urgent Fiscal/Program Needs** – This section recommends expenditure adjustments totaling \$6.9 million based on an evaluation of urgent program or fiscal needs. These include the following actions:

- 2013-2014 Future Deficit Reserve – As described in further detail later in this section, an increase to the 2013-2014 Future Deficit Reserve by \$6.9 million will bring this reserve to \$29.4 million. The City was notified by the County of Santa Clara of the receipt of \$6.9 million due to the recalculation of Property Tax Administration Fees and that funding will offset this increase.
- Net-Zero Funding Shifts in Police Department – Reallocation of vacancy savings to establish a Police Department Overtime Reserve (\$4.0 million); reallocation of vacancy savings for Police Department Overtime (\$500,000); and reallocation of vehicle maintenance and operations funding for the contract with the South Bay Public Safety Consortium for the April 2013 Academy, recruiting activities, and helicopter maintenance inspection and repair work (\$487,000).

**Required Technical/Rebalancing Actions** – This section recommends adjustments to revenues and expenditures that are necessary for General Fund revenue or departmental rebalancing, to realign expenditure line-items, and set aside funding for a 2012-2013 Ending Fund Balance Reserve.

- TRANs Debt Service/Other Revenue – This transaction lowers the TRANs Debt Service appropriation and the associated TRANs proceeds revenue estimate by \$25.0 million due to lower than estimated issuance of Tax and Revenue Anticipation Notes (TRANs) for 2012-2013. These notes are used to pre-fund City contributions to the Retirement System, as described in a memorandum to the City Council on June 1, 2012, because sufficient cash is not available on the pre-payment date. Due to the prudent management of the City's cash flows, it was possible to issue only \$100.0 million in TRANs, rather than the full \$125.0 million available through the City's agreement with the notes purchaser.
- 2012-2013 Ending Fund Balance Reserve – In order to set aside funding for the 2012-2013 Ending Fund Balance Reserve, recommendations are included in this document to increase revenues (\$7.6 million) and realize vacancy savings in departmental personal services allocations (\$2.3 million), savings in City-Wide Expenses appropriations (\$1.7 million), and liquidations in Earmarked Reserves (\$407,000). The recommended actions in this section would set aside \$12.0

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**RECOMMENDED BUDGET ADJUSTMENTS**

**General Fund**

million of the \$16.0 million, or 75% of the targeted amount based on information through December. The source of the remaining \$4.0 million needed for the ending fund balance estimate will be determined and recommended as part of the year-end clean-ups memorandum that will be brought forward for consideration in June 2013.

- **Other Net Adjustments** – A number of adjustments to various revenue and expenditure line items are recommended to bring the budget in line with current projections. Major recommendations include: decrease the Parking Fine revenue estimate to reflect a decline in the number of parking citations issued, increase the transfer from the Parks Construction and Conveyance Tax Funds for Parks operating and maintenance costs, decrease the Salaries and Benefits Reserve to reflect the elimination of the Benefits Program funding that had been set aside to cover projected health rate increases, increase the workers' compensation claims payments for the Fire Department due to an increase in claims and a spike in the severity of injuries, increase the Wellness Program Reserve to reconcile revenues and expenditures in the program, and increase the Workers' Compensation State License funding due to implementation of SB863 that increased the permanent disability rates effective January 1, 2013 and required greater claims oversight. In addition, several net-zero expenditure adjustments are recommended to align the budget with actual expenditure patterns. These adjustments include departmental shifts between Personal Services and Non-Personal/Equipment appropriations to address projected cost overruns, as well as net-zero shifts between non-departmental appropriations.

**Grants/Reimbursements/Fees** – This section recognizes new or updated grant, reimbursement, or fee activity revenue and appropriates the funds for these purposes in the following departments: Environmental Services; Fire; Library; Parks, Recreation and Neighborhood Services fees and grants; Planning, Building and Code Enforcement; Police; and Public Works (\$1.9 million).

**Special/Capital Funds**

**Special/Capital Fund Adjustments** – These actions adjust revenues based on actual performance; recognize revenues from fees, grants, and reimbursements; adjust 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 based on ongoing review and monitoring of the budget through the first six months of the current fiscal year. Revisions are required to technically correct existing appropriations or to implement benefit changes that have been approved by the City Council in 2012-2013. The following types of adjustments are included:

**Benefits Program** – The 2012-2013 Benefits Program includes net-zero appropriation adjustments to various departments and funds to reflect new health plan contribution rates, effective January 1, 2013. The General Fund increase is provided for by funding set-aside in the Salaries and Benefits Earmarked Reserve. In the Special and Capital funds, sufficient funding is available in the Ending Fund Balance and/or Contingency Reserve to offset the higher Benefits Program costs. The actions recommended in this section will only provide funding for the departments that are not tracking with sufficient vacancy savings to absorb the health rate increase.

**Fund Balance Reconciliation** – These actions revise the Beginning Fund Balance estimates in the 2012-2013 budget based on a reconciliation to the final audited Comprehensive Annual Financial Report.

**Voluntary Furlough/Reduced Work Week Program** – These net-zero adjustments to various departments reflect implementation of the Voluntary Furlough/Reduced Work Week Program. Savings (\$222,000 in the General Fund) are 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 \$100,000 was assumed in the development of the 2012-2013 Adopted Operating Budget and was temporarily funded from the Salaries and Benefits Earmarked Reserve. The actions reflected in this report remove the actual savings from the departmental budgets and restore the funding to the Salaries and Benefits Earmarked Reserve. The remaining savings are recommended to offset other budget actions as described elsewhere in this report.

**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. Revenue reclassifications are also included in this category.

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**General Fund & Special/Capital Funds**

- Health Premiums – Included in this report are funding adjustments to decrease the Health Premiums allocation as well as the corresponding transfer in the Benefit Fund to reflect the lower amount of premiums that will be transferred to the provider as a result of a high number of vacancies in the City.
- Public Works Facilities Capital Repairs and Maintenance Funding – Included in this report is a funding adjustment in the Sewer Service and Use Charge Fund to correct ongoing funding for facilities maintenance to the Public Works Department. The ongoing allocation was approved as part of the 2011-2012 Mid-Year Budget Review; however, it was inadvertently omitted during the development of the 2012-2013 Adopted Operating Budget.
- Technical Corrections – These actions revise Beginning Fund Balance and/or project appropriations in the 2012-2013 budget to correct inadvertent rebudget or allocation errors, offset by Ending Fund Balance or corresponding project appropriation actions.