



DATE ISSUED: October 12, 2006

REPORT NO: 06-148

ATTENTION: Budget and Finance Committee
Agenda of October 18, 2006

REPORT TO THE CITY COUNCIL

SUBJECT: Fiscal Year 2007 Period 1-2 Budget Monitoring

REFERENCE: None

REQUESTED ACTION:

1. Accept the Report from the Mayor on Fiscal Year 2007 Period 1-2 Budget Monitoring.

STAFF RECOMMENDATION:

1. Accept the Report from the Mayor on Fiscal Year 2007 Period 1-2 Budget Monitoring.

SUMMARY:

INTRODUCTION AND OVERVIEW

The Period 1-2 Report for fiscal year 2007 provides a period to date assessment of the expenditures and revenues of general fund and non-general fund departments compared to budget and a status of major and other revenues for the fiscal year. This report includes actual (unaudited) expenditure and revenue data from July 1, 2006 through August 25, 2006 (Periods 1 and 2).

This report reflects a new approach to monitoring the annual budget. Period-To-Date (PTD) budgets were established to compare to actual spending and revenues. Departments explained significant variances between the budget to date and actual results by allotment class (Personnel, Supplies and Services, Information Technology, Outlay (equipment) and Energy). Significant variances were defined for this report as under or over budget by plus or minus 10% and exceeding \$10,000.

In the report that follows, we explain revenue and expenditure variances that fall into this range. The report analyzes two periods of unaudited actual expenditures and revenues and as such it is too early to draw conclusions regarding spending projections to year end. Consequently, no budget adjustments are recommended at this time nor are projections made for year end spending or departmental revenues. However, significant budgetary issues that have been identified in this analysis are included.

METHODOLOGY

The method of analysis and presentation to City Council has changed from prior years.

Financial Management and the Audit Department developed period- to -date budgets to compare to actual results. A period budget is a division of the department's approved final budget into periods (4 weeks in the City's system, except for Periods 1 and 13 which vary in length year to year.)

Period budgets are benchmarks for the departments and the City to use to measure performance throughout the year. The Finance department created period budgets for this report based on spending experience in fiscal years 2005 and 2006, averaged for both years, and adjusted for changes in period length. The underlying assumption in this approach is that a department's spending (percent of budget) during the same time period in prior years is a reasonable benchmark to evaluate the actual spending in the current year. Some departments, however, were restructured in the fiscal year 2007 and the period budgets based on historical trends were revised where possible to reflect their changed operations.

Variance analysis is a management tool that identifies issues in a timely manner, allowing management to make budget and spending adjustments as required. All variances do not indicate spending problems, especially this early in the year. Positive or negative variances may be caused by several factors, including: timing of expenditures, budget issues, charges made to wrong departments that require correction, non-discretionary rates (Energy, Information Technology and Data Processing) assigned to a department that has been restructured, thereby overstating charges. Especially in this year of transition and restructuring, it is important to examine the causes for variances before any conclusions can be drawn regarding spending trends. The value in this detailed analysis early in the fiscal year is to make any structural adjustments that may have been overlooked in the budget process and establish meaningful period budgets to use through the year to benchmark results. Departments will create period budgets for the remainder of the fiscal year for future reports.

We have begun a transition to this method of assessing financial results and will refine this approach throughout the year. As such there have been revisions and corrections where warranted to make the period budgets reflect department operations and provide a reasonable assessment of performance.

GENERAL FUND EXPENDITURE SUMMARY

The first two periods of fiscal year 2007 show an under budget variance in expenditures of \$11 million, or 7%. This is primarily due to vacant positions throughout General Fund departments and the timing of spending for supplies and services. Approximately \$3 million of this variance is due to large payments and fund transfers which have not yet been processed, in particular the Environmental Services Department (ESD) rent payment to the Refuse Disposal Fund for the Environmental Services Operations Station and the Office of the Chief Information Officer transfer of General Fund support for information technology services. The initial period budgets did not account for these spending trends and will be adjusted in future reports to provide more meaningful benchmarks.

We do not expect that all departments with under budget spending will continue to show savings; departments will be filling vacant positions and spending for supplies and services should

increase to budgeted levels. However, for those departments undergoing or planning to undergo restructuring and Business Process Reengineering (BPR), spending will be conservative as departments hold vacant positions open until this process is completed. Potential budgetary savings are unknown at this time and will be monitored throughout the year. We plan to report on BPR savings in the mid year budget adjustment.

At this time there is one General Fund department may require an increase to its appropriation. The Fire Rescue Department projects a \$4.7 million deficit in expenditures by year end for personnel due to several factors, including constant staffing needs. A contributing factor to the projected shortfall may be that the department did not budget EMS staffing, or approximately \$3.9 million in fiscal year 2007. This expense had been offset in prior years by revenue from the EMS contract, but this year the contract was reduced by \$3.2 million. Period to date, personnel services are at budget although fringe expenses are over budget. The vacancy factor rate will be monitored for all departments throughout the year and if warranted staff will recommend an adjustment to the department's expenditure appropriation based on experience.

Workers Compensation Rates

The analysis of fringe expense in all departments indicates that the rates being charged to departments are higher than the rates included in the fiscal year 2007 budget, contributing to an over budget variance in fringe charges for many departments. These rates will be adjusted before mid year.

GENERAL FUND REVENUE SUMMARY

The first two periods of fiscal year 2007 show a variance of \$ 2.9 million, or 7% under budget in revenues. The variance is due primarily to the timing of the receipt of revenues for Transient Occupancy Tax and Rents and Concessions. Other factors producing the variance include the reduction in the Service Level Agreement (SLA) billing (Charges for Current Services) across many departments, the reduction of the Emergency Medical Service (EMS) contract with the Fire Department, and the negative trend in property transfer tax. These variances are described in the departmental summaries.

Departments with significant (over \$500,000) under budget revenues through this period are Real Estate Assets Department, the Fire Department, and the City Attorney's Office (CAO.) Several general fund departments report reduced billings to enterprise departments and this is a significant factor in the CAO's under budget revenues to date. The City Attorney's Office experienced a revenue shortfall from unrealized SLA billings of over \$3.0 million in fiscal year 2006 and anticipates a shortfall of approximately \$3.7 million this fiscal year as a result of the reduction in legal work required by departments for public bond financing. The City Attorney's revenue budget will be reviewed mid year and adjustments will be recommended if warranted. In addition, the Fire Department projects a \$3.2 million shortfall in revenues this fiscal year due to a reduction in the contract with EMS. A revenue adjustment will be recommended in the mid year budget adjustment.

Major General Fund Revenue

In fiscal year 2007, the total General Fund revenue budget is \$1.02 billion. Four major revenue sources – Property Tax, Sales and Use Tax, Transient Occupancy Tax (TOT) and Franchise Fees – account for 70.2%, or \$716.8 million, of the total General Fund revenue budget. The table below presents a summary of these major revenue sources as well as Property Transfer Tax, Vehicle License Fees, and Safety Sales Tax.

**General Fund Revenue Change
for Fiscal Years 2006 - 2007**
(In Millions)

Revenue Source	FY 2007 General Fund Budget	FY 2006 Unaudited Actual	Increase/ (Decrease)	FY 2007 Growth Rate⁽¹⁾
Property Tax ⁽²⁾	\$344.2	\$321.5	\$22.7	7.25%
Sales and Use Tax ⁽³⁾	\$234.9	\$216.0	\$18.9	4.75%
Transient Occupancy Tax	\$72.9	\$73.6	(\$0.7)	6.00%
Franchise Fees ⁽⁴⁾	\$64.8	\$60.3	\$4.5	Weighted Average ⁽⁴⁾
Property Transfer Tax	\$14.9	\$11.7	\$3.2	7.00%
Vehicle License Fees	\$9.3	\$8.9	\$0.4	3.50%
Safety Sales Tax ⁽³⁾	\$8.2	\$7.9	\$0.3	4.00%
Total	\$749.2	\$699.9	\$49.3	

⁽¹⁾ Fiscal year 2007 growth rate over fiscal year 2006 year-end estimates at the time of the budget preparation.

⁽²⁾ Fiscal year 2007 revenue includes the end of a two-year (fiscal years 2005 and 2006) property tax revenue shift (\$16.9 million) to the State known as the Educational Revenue Augmentation Fund (ERAF III.)

⁽³⁾ In order to perform a year over year comparison, the fiscal year 2006 Unaudited Actual data reflects the total revenue received by the City, not only the General Fund portion. In past fiscal years, Sales Tax and Safety Sales Tax revenues were not fully deposited in the General Fund.

⁽⁴⁾ Fiscal year 2007 growth rate for SDG&E is 7.0% and Cable is 7.5%.

The following summarizes the status of these revenues as compared to budget estimates and the underlying economic assumptions, and indicates where adjustments may be made to these projections when additional data are available.

Property Tax

The fiscal year 2007 Property Tax budget is \$344.2 million based on a 7.25% growth rate over the fiscal year 2006 year-end estimated revenues. The projection assumed a slowdown in the local real estate market activity and a softening of the housing market rather than a major correction for fiscal year 2007; a reduction in the housing median price; and a reduction in the number of home sales. The Property Tax revenue is disbursed by the County of San Diego in 13 apportionments and most of the revenue is received by the City during the months of December and April (Apportionments 5 and 9.) As of accounting period 2, the Property Tax receipts show a 55% variance rate or \$1,979,602 over budget. The receipts are based on the revenue received to

date based on the Apportionment 1 data. This variance is primarily due to the distribution of the Current Unsecured or non-real property receipts which were distributed in Apportionment 1 and not in Apportionment 2 as in prior fiscal years, according to the County of San Diego Assessor's office.

The estimated Property Tax distribution data is insufficient at this time to warrant a revision of budgeted revenues. However, the preliminary data received through accounting period 2 indicate that the Property Tax revenue may be higher than it was initially estimated at the time of the budget preparation due to a higher than expected assessed value of all taxable property in the City of San Diego; and despite a continued slowdown in local real estate market activity. Thus, as more data becomes available, this revenue category may be adjusted upward.

Sales and Use Tax

The fiscal year 2007 Sales Tax budget is \$234.9 million based on a 4.75% growth rate over the fiscal year 2006 year-end estimated revenues. The projection assumed a moderate increase in the creation of new jobs in the San Diego region and a relatively low unemployment rate; weakened consumer spending; and a sustained growth in overall taxable sales. The State Board of Equalization disburses funds once a month, with four payments per quarter (three advances and a cleanup payment.) The receipts reflect the sales of the previous quarter. At this time, it is too early in the fiscal year to modify the growth rate and the budgeted revenue for this category. However, we believe that the budgeted sales and use tax will be slightly lower than projected due to a lower than expected September cleanup payment and the information received by the County of San Diego regarding the property tax reimbursement that the City will receive in fiscal year 2007 as a result of the triple-flip. (The triple-flip is the shift enacted by the State in fiscal year 2005 whereby local governments shift ¼-cent of their Bradley-Burns Sales and Use Tax to the State in exchange for an equivalent amount of property tax.)

Transient Occupancy Tax (TOT)

The fiscal year 2007 TOT budget is \$72.9 million with 6.0% growth rate over the fiscal year 2006 year-end estimated revenues. The projection assumed a moderate increase in hotel occupancy; higher room demand at higher daily rates; and an increase in the number of leisure travelers. Hotels remit TOT on a monthly basis directly to the City Treasurer. Each hotel collects its own TOT and remits payments by the end of the following month. Recent data published in the Smith Travel Research's Lodging review, a publication of Smith Travel Research, shows that for San Diego County the year-to-date (January - August 2006) the average occupancy rate was 76.7%, a 1.2% increase over the same period in calendar year 2005. (The average daily rate was \$132.93 per night, a 6.7% increase over the same period in calendar year 2005.)

The TOT revenue data to date shows a -100% variance or (-\$4,754,361) under budget. This is due to the timing of posting for July's receipts where the receipts have been received by the City but the amounts have not been posted. Although the report suggests a large variance, it is expected that the City will receive an amount equal to or in excess of the amount budgeted to be received by the end of Period 2 once these receipts are posted.

Overall, we believe that the fiscal year 2007 projections for TOT revenue are conservative; however, we are not recommending modifications to the growth rate or the budgeted revenue until additional TOT revenue is collected.

Franchise Fees

The fiscal year 2007 Franchise Fees budget is \$64.8 million based on a 7.0% growth for San Diego Gas & Electric (SDG&E) revenue and 7.5% growth for Cable Fees over the fiscal year 2006 year-end estimated revenues. Franchise Fees from SDG&E and the two cable companies, Cox Communications and Time Warner, are collected on a quarterly basis. At this time, we do not have the actual data to warrant a revision to the growth rate or budgeted revenue for Franchise Fees.

On September 29, 2006, the Governor signed into law the Digital Infrastructure and Video Competition Act of 2006 (AB2987) which becomes law effective January 1, 2007. The law transfers authority for franchise approval from local governments to the State, specifically the California Public Utilities Commission (CPUC.) After debate on whether local entities would lose these revenues, the bill was amended so that municipalities should be able to keep a 5% fee that they receive from cable TV companies for using public rights of way.

Property Transfer Tax

The fiscal year 2007 Property Transfer Tax budget is \$14.9 million based on a 7.0% growth rate over the fiscal year 2006 year-end estimated revenues. The projection assumed a slowdown in local real estate market activity; a reduction in the housing median price; and a reduction in the number of home sales. Property transfer taxes are highly reflective of the housing market and are more volatile than property tax receipts. The Property Transfer Tax is disbursed by the County of San Diego in 13 apportionments. In fiscal year 2006 property transfer tax receipts were below expectations. Based on the fiscal year 2006 unaudited actuals and the fiscal year 2007 budget depicted in the table above, the expected revenue growth is approximately 3.2 million, or 27.4%, over fiscal year 2006 unaudited actuals. Thus, it is believed that the projections were too aggressive and an adjustment to the growth rate and, in turn, the budgeted revenue will need to be made for fiscal year 2007 to reflect the expected reduction in revenues. This adjustment will be made at the same time the analysis for the major revenue categories is completed, most likely at the mid year budget review.

The Property Transfer Tax data to date shows a -39% variance or (-\$473,979) under budget. The variance in Property Transfer Tax is reflected in the Apportionment 1 receipts. As mentioned above, a decline in these receipts was expected as the home sales continue to decline.

Vehicle License Fees

The fiscal year 2007 Vehicle License Fees budget is \$9.3 million based on a 3.5% growth rate over fiscal year 2006 year-end estimated revenues.

The Motor Vehicle License Fees data to date shows a 105% variance or \$753,879 over budget. The variance is due to the receipt of approximately \$1.0 million in the Motor Vehicle License Excess account. These monies are not budgeted; therefore, any receipts will show as over budget revenue compared to PTD budget. No revision to this estimate is anticipated at this time.

Safety Sales Tax

The fiscal year 2007 Safety Sales Tax budget is \$8.2 million based on a 4.0% growth rate over fiscal year 2006 year-end estimated revenues. No revision to this estimate is anticipated at this time.

In conclusion, it is too early in the year to revise the above mentioned budgeted revenues for fiscal year 2007 for several reasons. The estimated Property Tax distribution data is insufficient at this time to warrant a revision of budgeted revenues although the data released by the County Assessor's Office indicates that the real property in the City of San Diego has a combined assessed valuation of nearly \$163.6 billion this year. This is an increase of \$16.7 billion over last year, which indicates that the property tax revenue may be higher than it was initially estimated at the time of the budget preparation despite a continued slowdown in local real estate market activity. As more data becomes available within the next few weeks, a further analysis will be conducted to project the fiscal year 2007 Property Tax revenue along with the Sales Tax, TOT and Franchise Fees. If warranted by the actual revenues received and other indicators, revisions to major revenue projections for fiscal year 2007 will be made.

Other Revenues

The following revenue categories are budgeted in the fiscal year 2007 budget; however, not all revenue accounts that comprise these categories have individual budgets. The variance in the various revenue categories is based on the PTD budget for each revenue category compared to the total PTD receipts for all accounts in this revenue category. The amount over or under budget references the total amount received to date for the entire category. For those receipts not budgeted, the entire amount received will show as over budget revenue.

Licenses and Permits

The License and Permits revenue category consists of Business Taxes, Rental Unit Taxes, Parking Meter receipts, Refuse Collectors Business Taxes, and Other Miscellaneous License and Permits. Business Taxes are fees for Business Tax Certificates required of all businesses that operate in San Diego and are based on the amount of people employed by the business. The fiscal year 2007 Business Tax budget, including budgeted processing fees and penalties, is \$7.3 million. Rental Unit Taxes are fees required of all rental housing, including single family homes. The fiscal year 2007 Rental Unit Tax budget, including budgeted processing fees and penalties, is \$6.7 million. Refuse Collectors Business Tax is a rate per ton of refuse deposited for all refuse collectors that exceed minimum limits. The fiscal year 2007 Refuse Business Tax budget is \$1.7 million. The Refuse Business Taxes budget has increased 80% compared to fiscal year 2006

based on the expiration of all Long Term Waste Delivery Agreements which discontinued the all-in-one rate for Class I and Class II Haulers, as well as a policy enforcement change which occurred on fee assessments for all commercial vehicles entire load regardless of weight. The fiscal year 2007 Parking Meter budget is \$6.5 million. The fiscal year 2007 Other Miscellaneous License and Permits budget is \$8.6 million.

The License and Permits revenue data to date for the whole category shows a 2.0% variance or \$60,812 over budget. However, several revenue accounts in this category, (Rental Unit Tax, Refuse Collectors Business Tax, and Other Miscellaneous License and Permit receipts) had under budget or over budget variances exceeding 10.0%. Rental Unit Tax receipts in between periods 1 through 6 are primarily due to penalties stemming from billings sent out in previous years and vary widely from year to year. The majority of the revenue for this category will be received in January through May after the current year bills are invoiced. Refuse Collector Business Taxes are coming in higher than anticipated. The current trend suggests this account will come in over budget. The under budget revenue in Other Miscellaneous Licenses and Permits is primarily due to the shortfall of \$500,000 in the In-House Security Permits account. According to the Police Department, the entire budget should be received by period 2. No revenue has been received to date. This account has received little or no revenue in the prior two years.

Fines and Forfeitures

The Fines and Forfeitures revenue category consists of Parking Citations, Municipal Court, Negligent Impound, and Other Miscellaneous Fines and Forfeitures. The fiscal year 2007 Parking Citation budget is \$19.5 million. Municipal Court receipts consist of the City's share of San Diego County Superior Court revenue. The fiscal year 2007 Municipal Court Budget is \$7.6 million. The fiscal year 2007 Negligent Impound budget is \$2.9 million. The fiscal year 2007 Other Miscellaneous Fines and Forfeitures budget is \$4.6 million.

The Fines and Forfeitures revenue data to date shows a 17.0% variance or \$123,466 over budget. The variance in Fines and Forfeitures is the result of both Municipal Court receipts and Other Miscellaneous Fines and Forfeitures. Municipal Court receipts are attributable to a timing issue. The variance in Miscellaneous Fines and Forfeitures is primarily the result of receipts in the Litigation Awards-Consumer Fraud account of approximately \$35,000. No revenue was budgeted in this account in fiscal year 2007.

Rents and Concessions

The Rents and Concessions revenue category consists primarily of rents and concessions revenue from Mission Bay and the Pueblo Lands areas. These receipts are based on percentage of income rather than a fixed monthly rate and are subject to seasonal trends. The fiscal year 2007 Mission Bay Rents and Concessions budget is \$24.4 million. For Mission Bay lease revenue, Municipal Code Section 22.0229 states that 50% of the revenue in excess of \$20 million, not to exceed \$5 million in a given year, will be appropriated to the Mission Bay Improvements Fund (25%) and the Regional Park Improvements Fund (25%). The fiscal year 2007 Pueblo Lands Rents and Concessions budget is \$3.3 million. The fiscal year 2007 Miscellaneous Rents and Concessions budget is \$3.8 million.

The Rents and Concessions revenue data to date shows a -26.0% variance or (\$633,605) under budget. The variance in the Rents and Concessions revenue category is primarily due to the timing of lease payments. Payments in excess of the PTD budget were received and posted within two days of the end of period 2. These payments are normally received on the first day of each month.

Revenue from Other Agencies

The fiscal year 2007 Revenues from Other Agencies budget is \$6.0 million. The majority of this is comprised of the relief we receive from the State-mandated booking fees. The fiscal year 2007 Relief from Booking Fees budget is \$5.2 million.

The Revenue from other Agencies receipts to date show a 491% variance or \$1,078,771 over budget. The variance is related to the receipt of approximately \$900,000 in the Other State-Mandated Programs account. This account is not budgeted; therefore, any receipts will show as over budget revenue compared to PTD budget.

Charges for Current Services

The fiscal year 2007 Charges for Current Services budget is \$34.9 Million. The receipts consist primarily of contractual work to other funds and outside agencies as well as other misc. fees resulting from City services.

The Charges for Current Services revenue data to date shows a -14% variance or (\$730,528) under budget. The variance is due in large part to the adjustment of staffing requirements of the San Diego Medical Services Enterprise (SDMSE.) This has reduced the need for Fire Department personnel use due to the use of non city, Rural/Metro, staffing for a majority of its EMS needs, which has resulted in revenue coming in approximately \$500,000 less than anticipated. This variance can also be attributed to the variation in charges from year to year based on the agreements between the departments. A majority of these revenues are the result of general services that are received based on the benefiting departments needs. The timing of these needs differ from year to year and cannot necessarily be projected on prior year trends.

Miscellaneous Revenue

The fiscal year 2007 Miscellaneous Revenue budget is \$2.6 million. The revenue data to date for this category shows 59% variance or \$150,646 over budget. The variance is the result of various donations or reimbursements. These receipts were not budgeted; therefore, they will show as over budget revenue compared to PTD budget.

Services and Transfers

The fiscal year 2007 Service and Transfers budget is \$119.2 Million. These receipts consist primarily of transfers from other funds for services rendered. The budget for 2007 has slightly changed from fiscal year 2006; however, some differences include the exclusion of TOT transfers that are now reflected in the Sales Tax allocation and the inclusion of TransNet and Gas Tax transfers to the Street Department. The Street Department was not a part of the General Fund in fiscal year 2006.

RETIREMENT CONTRIBUTION

During Fiscal Year 2006 the City of San Diego contributed approximately \$271,349,109 to the City Employee’s Retirement System Fund. Approximately \$163,050,679 of the total was contributed through bi-weekly payroll transactions. One hundred million (\$100,000,000) of the total was the result of the issuance of Tobacco Revenue secured Pension Obligation Bonds. Of this \$100 million, approximately \$9.2 million was contributed from tobacco revenue received during the fiscal year with the remaining \$90.8 million coming from bond proceeds. Employee pick up savings were also contributed in the amount of \$8,298,429.

During Fiscal Year 2006 the City contributed approximately \$17,431,697 to the Retiree Health Insurance Reserve Fund. These contributions were primarily the result of bi-weekly payroll transactions.

On July 1, 2006 the City advanced \$162,000,000 to the Retirement Fund which is actuarially required contribution and the budgeted amount for fiscal year 2007. Contributions are a percentage of pensionable salaries. The advance is not considered a contribution until the actual pay period on which the contribution is based has occurred.

As of Period 02, Fiscal Year 2007, the City has expensed approximately \$24,560,048 to the City Employee’s Retirement System Fund and approximately \$2,236,872 to the Retiree Health Insurance Reserve Fund through bi-weekly payroll transactions. The Fiscal Year 2007 budget for retiree health is \$ 21,892,630.

SIGNIFICANT DEPARTMENTAL VARIANCES

Business and Support Services

Business and Grant Administration

General Fund *Expenditures Under Budget 13%*
Departmental monitoring reports a period-to-date variance of \$18,402. This department is currently spending under budget due to vacant positions and departmental restructuring.

Business Office

General Fund *Expenditures Under Budget 25%*
Departmental monitoring reports a period-to-date variance of \$43,109. This department is currently spending under budget due to vacant positions and departmental restructuring.

Equal Opportunity Contracting

General Fund *Expenditures Under Budget 23%*
Departmental monitoring reports a period-to-date variance of \$87,377. This department is currently spending under budget due to vacant positions and a lower than anticipated expenditure rate in supplies and services as a result of Budget Process Reengineering efforts (BPR). An action has been taken before City Council to re-align the budget to match the results of the BPR.

Revenues Under Budget 70%

Departmental monitoring reports a period-to-date variance of \$199,675. This department is currently realizing a revenue shortfall due to budget constraints which have curtailed the amount of capital improvement projects undertaken by the Metropolitan Wastewater and Water Departments. Additional revenue resulting from Budget Process Reengineering efforts (BPR) has not been incorporated into this department's budget. An action has been taken before City Council to re-align the budget to match the results of the BPR.

Human Resources

General Fund

Expenditures Under Budget 36%

Departmental monitoring reports a period-to-date variance of \$257,729. This department is currently spending under budget due to vacant positions and pending departmental restructuring.

Office of the Chief Information Officer

General Fund

Expenditures Under Budget 51%

Departmental monitoring reports a period-to-date variance of \$1,392,615. This department is currently spending under budget due to fund transfers that will take place later in the fiscal year.

Information Technology Fund

Expenditures Under Budget 10%

Departmental monitoring reports a period-to-date variance of \$162,644. This fund is currently under budget due to vacant positions and contractual services and rent that will be paid later in the fiscal year. The vacancies are being filled and the department anticipates spending at budget in future periods.

Revenues Over Budget 783%

Departmental monitoring reports a period-to-date variance of \$443,168. This fund is currently reporting receipt of additional revenue due to revenues being received earlier this fiscal year.

Personnel

General Fund

Expenditures Under Budget 11%

Departmental monitoring reports a period-to-date variance of \$114,838. This department is currently spending under budget due to vacant positions which are planned to be filled.

Revenues Under Budget 99%

Departmental monitoring reports a period-to-date variance of \$92,042. This department is currently realizing a revenue shortfall due to the cancellation of Service Level Agreements (SLA) with the Metropolitan Wastewater, Development Services, Environmental Services, and Water Departments. The department has discontinued SLA's with enterprise funds. The revenue associated with these SLA's, \$606,782, will not be realized this fiscal year. Department revenues will continue to be monitored and may be recommended for reduction in the mid year budget adjustment.

Purchasing and Contracting

General Fund

Expenditures Under Budget 88%

Departmental monitoring reports a period-to-date variance of \$222,258. This department is currently spending under budget due to vacant positions as a result of Budget Process Reengineering efforts (BPR). An action has been taken before City Council to re-align the budget to match the results of the BPR.

Revenues Under Budget 73%

Departmental monitoring reports a period-to-date variance of \$107,786. This department is currently realizing a revenue shortfall due to the current Business Process Reengineering (BPR) efforts. Positions and the corresponding reimbursable revenue were moved into this department during the Fiscal Year 2007 budget process in anticipation of BPR results. BPR efforts have concluded that the positions and revenue should be returned to originating departments. An action has been taken before City Council to re-align the budget to match the results of the BPR.

Risk Management

Risk Management Administration Fund

Expenditures Under Budget 27%

Departmental monitoring reports a period-to-date variance of \$359,273. This fund is currently under budget due to vacant positions. Due to restructuring during the Fiscal Year 2007 budget process, variances in non-personnel expenditures are not reliable at this time. The budget structure will be examined and adjustments recommended mid-year.

Community and Legislative Services

Community and Legislative Services

General Fund

Expenditures Under Budget 20%

Departmental monitoring reports a period-to-date variance of \$121,435. This department is currently spending under budget due in large part to charges established in 2005 for non discretionary costs, such as energy and information technology, that do not reflect current operations. The allocation methodology will be revised and charges adjusted in other departments. This department expects to spend at budget.

Department of Finance

City Auditor and Comptroller

General Fund

Expenditures Under Budget 12%

Departmental monitoring reports a period-to-date variance of \$244,115. This department is currently spending under budget due to vacant positions. The department anticipates filling vacant positions.

Revenues Under Budget 10%

Departmental monitoring reports a period-to-date variance of \$41,290. This department is currently realizing a revenue shortfall due to vacancies and the lack of staff to work on reimbursable projects.

City Treasurer

General Fund

Expenditures Under Budget 14%

Departmental monitoring reports a period-to-date variance of \$197,390. This department is currently spending under budget due to vacant positions and a lower than anticipated

expenditure rate in supplies and services. The department anticipates filling vacant positions by mid-year.

Revenues Over Budget 15%

Departmental monitoring reports a period-to-date variance of \$241,916. This department is currently reporting receipt of additional revenue due to the intermittent collection of revenue from year to year.

Debt Management

General Fund

Expenditures Under Budget 42%

Departmental monitoring reports a period-to-date variance of \$113,070. This department is currently spending under budget due to vacant positions. The department anticipates filling vacant positions mid-year and expects to be fully expended at year-end.

Revenues Under Budget 60%

Departmental monitoring reports a period-to-date variance of \$76,534. This department is currently realizing a revenue shortfall due to vacant reimbursable positions. The revenue shortfall is offset by under budget expenditures.

Special Districts Fund

Expenditures Under Budget 41%

Departmental monitoring reports a period-to-date variance of \$66,492. This fund is currently under budget due to vacant positions. The department anticipates filling the positions mid-year. In addition, actual expenditures are understated because of Fiscal Year 2006 credits which need to be corrected and applied to the prior year.

Revenues Under Budget 37%

Departmental monitoring reports a period-to-date variance of \$46,525. This fund is currently realizing a revenue shortfall due to a semi-annual billing cycle for property taxes. Revenues are typically collected in February and June. The deficit is also attributed to vacant reimbursable positions.

Financial Management

General Fund

Expenditures Under Budget 31%

Departmental monitoring reports a period-to-date variance of \$285,708. This department is currently spending under budget due to vacant positions and a lower than anticipated expenditure rate in supplies and services. The department anticipates filling vacant positions mid-year and expects to be fully expended at year-end.

Revenue Under Budget 57%

Departmental monitoring reports a period-to-date variance of \$125,430. This department is currently realizing a revenue shortfall primarily due to vacancies and the lack of staff to work on reimbursable projects. Approximately \$100,000 in revenue will not be realized this year since the Water Department project was completed in the prior fiscal year. The department will continue to monitor the progress of these projects and evaluate the budgeted revenue throughout the year. The remainder of the shortfall is due to revenues which will be received later in the fiscal year.

Central Stores Internal Service Fund

Expenditures Over Budget 72%

Departmental monitoring reports a period-to-date variance of \$1,428,901. This fund is currently over budget due to higher than projected demand for materials and supplies from customer departments. This is offset by over budget revenue from inventory sales. In prior years the department used additional revenue to offset over expenditures. The

mid year budget adjustment will recommend that unbudgeted revenues are recognized to offset unbudgeted expenditures.

Revenues Over Budget 63%

Departmental monitoring reports a period-to-date variance of \$1,365,095. This fund is currently reporting receipt of additional revenue due to higher than anticipated inventory sales. The fund also reports over budget expenditures in purchases of materials and supplies. In prior years the department used additional revenue to offset over expenditures. The mid year budget adjustment will recommend that unbudgeted revenues be recognized to offset unbudgeted expenditures.

Land Use and Economic Development

City Planning and Community Investment

General Fund

Expenditures Under Budget 11%

Departmental monitoring reports a period-to-date variance of \$125,708. This department is currently spending under budget due to six vacant positions.

Community and Economic Development

General Fund

Expenditures Under Budget 41%

Departmental monitoring reports a period-to-date variance of \$553,808. This department is currently spending under budget due to vacant positions and a lower than anticipated expenditure rate in supplies and services due to the restructuring of the Citywide Expenditures Program during the Fiscal Year 2007 budget. The restructuring transferred appropriations for contractual services which will be expended later in the fiscal year. It is anticipated that supplies and services will be fully expended by year-end.

Redevelopment Fund

Revenues Over Budget 149%

Departmental monitoring reports a period-to-date variance of \$154,123. This fund is currently reporting receipt of additional revenue due to increased services provided to other agencies. The department anticipates being on budget at year-end.

Concourse and Parking Garages

Municipal Parking Garages Fund

Expenditures Under Budget 45%

Departmental monitoring reports a period-to-date variance of \$82,324. This fund is currently under budget due to vacant positions and expenditures that have occurred but have not posted. The department anticipates expenditures to be on budget by mid-fiscal year.

Revenues Over Budget 15%

Departmental monitoring reports a period-to-date variance of \$54,458. This fund is currently reporting receipt of additional revenue due to additional events being held at the Concourse this fiscal year that did not occur during this same period in previous fiscal years. The department anticipates revenues to be on budget by mid-fiscal year.

Development Services

Solid Waste Local Enforcement Agency Fund

Expenditures Under Budget 24%

Departmental monitoring reports a period-to-date variance of \$35,222. This fund is currently under budget due to vacant positions and a lower than anticipated expenditure

rate in supplies and services. It is anticipated that this fund will be fully expended at fiscal year end.

Revenues Under Budget 15%

Departmental monitoring reports a period-to-date variance of \$52,158. This fund is currently realizing a revenue shortfall due to a delay in reimbursements from the Waste Tire Grant and Local Enforcement Agency Facility Fees. The department anticipates full receipt of budgeted revenues by fiscal year end.

Neighborhood Code Compliance

General Fund

Expenditures Under Budget 16%

Departmental monitoring reports a period-to-date variance of \$163,217. This department is currently spending under budget due to vacant positions. In addition, the expenditure rate in supplies and services is lower than anticipated due to a delay in processing of invoices.

Revenues Under Budget 30%

Departmental monitoring reports a period-to-date variance of \$102,176. This department is currently realizing a revenue shortfall due to a delay in receiving Community Development Block Grant (CDBG) reimbursements. In addition, the approved CDBG funding is less than what was budgeted. The department anticipates a shortfall of approximately \$110,000 in CDBG revenues at fiscal year end.

Real Estate Assets

General Fund

Expenditures Under Budget 38%

Departmental monitoring reports a period-to-date variance of \$298,289. This department is currently spending under budget due to vacant positions and a lower than anticipated expenditure rate in supplies and services. Supplies and services spending are expected to return to budgeted levels.

Revenues Under Budget 29%

Departmental monitoring reports a period-to-date variance of \$757,312. This department is currently realizing a revenue shortfall primarily due to delays in the collection of rents from Mission Bay Park and the seasonal nature of lease revenues from the hospitality industry at Torrey Pines. The department anticipates receipt of budgeted revenues by fiscal year end. However, the department will continue to monitor anticipated revenues compared to lease agreements which have not yet been established.

City Airport Fund

Revenues Over Budget 38%

Departmental monitoring reports a period-to-date variance of \$213,096. This fund is currently reporting receipt of additional revenue due to rent increases.

QUALCOMM Stadium Operating Fund

Expenditures Under Budget 22%

Departmental monitoring reports a period-to-date variance of \$1,049,251. This fund is currently under budget due to a lower than anticipated expenditure rate in supplies and services. The department has increased efficiencies in tracking supplies and services expenditures.

Revenues Under Budget 31%

Departmental monitoring reports a period-to-date variance of \$348,956. This fund is currently realizing a revenue shortfall due to a delay in the receipt of revenue for events. The department anticipates being on budget by fiscal year end. The major revenues

which support this fund, leases and Transient Occupancy Tax Funds, are typically posted later in the fiscal year.

Neighborhood and Customer Services

Customer Services

General Fund

Departmental monitoring reports a period-to-date variance of \$33,911. This department is currently spending under budget due to a lower than anticipated expenditure rate in supplies and services. It is anticipated that supplies and services will be fully expended by year-end.

Expenditures Under Budget 10%

Revenues Under Budget 44%

Departmental monitoring reports a period-to-date variance of \$12,247. This department is currently realizing a revenue shortfall due to a change in billing practices for Service Level Agreements. The Community Service Centers bills the Metropolitan Wastewater and Water Departments only after the actual costs have been incurred.

Library

Library Grants Fund

Departmental monitoring reports a period-to-date variance of \$22,438. This fund is currently under budget due to a vacant position.

Expenditures Under Budget 19%

Park and Recreation

Environmental Growth Fund 1/3

Departmental monitoring reports a period-to-date variance of \$57,153. This fund is currently over budget due to utility billings for Balboa Park and Shoreline Parks which had not occurred by this period in prior years. Any overage in this historically under funded area will be covered through savings in supplies and services and use of the fund balance.

Expenditures Over Budget 28%

Golf Course Enterprise Fund

Departmental monitoring reports a period-to-date variance of \$328,122. This fund is currently reporting receipt of additional revenue due to receipt of additional payments early in the fiscal year and a \$13 increase in the ID fee.

Revenues Over Budget 18%

Special Projects

General Fund

Departmental monitoring reports a period-to-date variance of \$48,171. This department is currently spending under budget due to a vacant position. This position may be transferred to another department where it will be filled, resulting in little or no year-end savings.

Expenditures Under Budget 25%

Office of Ethics and Integrity

Office of Ethics and Integrity

General Fund

Departmental monitoring reports a period-to-date variance of \$39,283. This department is currently spending under budget due to a lower than anticipated expenditure rate in

Expenditures Under Budget 21%

supplies and services. Supplies and services spending are expected to return to budgeted levels.

Public Safety and Homeland Security

Office of Homeland Security

General Fund

Expenditures Under Budget 57%

Departmental monitoring reports a period-to-date variance of \$158,409. This department is currently spending under budget due to vacant positions.

Revenues Over Budget 124%

Departmental monitoring reports a period-to-date variance of \$80,735. This department is currently reporting receipt of additional revenue from the County of San Diego for Fiscal Year 2005 grant reimbursements. The revenue for this grant was not budgeted during this period as the department was uncertain when the funds would be received.

Police

Police Decentralization Fund

Revenues Under Budget 100%

Departmental monitoring reports a period-to-date variance of \$1,390,105. This fund is currently realizing a revenue shortfall due to a delay in the transfer of funds from the General Fund. Funds are typically transferred following the occurrence of expenditures.

Seized and Forfeited Assets Funds

Expenditures Over Budget 24%

Departmental monitoring reports a period-to-date variance of \$43,238. This fund is currently over budget due to the purchase of four new helicopters to replace old aircraft and an over budget manager for the STAR/Pal Program. The department plans to reduce other expenditures, if needed, to ensure that the fund is on budget at fiscal year end.

Unlicensed Driver Vehicle Impound Fees Fund

Revenues Under Budget 11%

Departmental monitoring reports a period-to-date variance of \$14,980. This fund is currently realizing a revenue shortfall due to the unpredictability of vehicle impounds. The number of vehicles impounded varies from week to week.

Public Safety

General Fund

Expenditures Under Budget 94%

Departmental monitoring reports a period-to-date variance of \$324,419. This department is currently spending under budget primarily due to a lower than anticipated expenditure rate in supplies and services. It is anticipated that supplies and services will be fully expended by year-end. There is also a vacant Program Manager position which is not planned to be filled.

Revenues Over Budget 118%

Departmental monitoring reports a period-to-date variance of \$17,938. This department is currently reporting receipt of additional revenue due to invoices being sent out earlier this year than in prior years.

San Diego Fire-Rescue

General Fund

Revenues Under Budget 50%

Departmental monitoring reports a period-to-date variance of \$859,945. This department is currently realizing a revenue shortfall due to a reduction in the Emergency Medical Services contract. The department anticipates an approximate revenue shortfall of \$3.2

million at year-end due to the reduction of this contract. In addition, the department has not received reimbursements from FEMA or a contract payment from the HIRT contract. These two items will be received later in the fiscal year.

Emergency Medical Services Fund

Expenditures Under Budget 29%

Departmental monitoring reports a period-to-date variance of \$357,619. This fund is currently under budget because the San Diego Medical Services Enterprise (SDMSE) Governing Board approved budget is lower than the city approved budget by approximately \$1,100,000. A Council Action is currently being prepared by the San Diego Fire-Rescue Department to reconcile the city's budget with the SDMSE Board approved budget. The SDMSE Board was able to reduce expenditures by reducing contracted services with city forces and increasing services provided by the Rural/Metro Corporation.

Public Works

Engineering and Capital Projects

General Fund

Expenditures Under Budget 12%

Departmental monitoring reports a period-to-date variance of \$672,886. This department is currently spending under budget primarily due to vacant positions. Potential fiscal year end savings resulting from these vacancies is unknown at this time as the department is currently undergoing Business Process Reengineering.

E&CP-Water/Wastewater Fund

Expenditures Under Budget 21%

Departmental monitoring reports a period-to-date variance of \$788,333. This fund is currently under budget due to vacant positions. These positions are being held vacant until funding for Metropolitan Wastewater and Water Department capital improvement projects is restored. This also results in revenues being under budget.

Revenues Under Budget 29%

Departmental monitoring reports a period-to-date variance of \$1,067,571. This fund is currently realizing a revenue shortfall due to vacant reimbursable positions. This also results in expenditures being under budget.

Utilities Undergrounding Program Fund

Expenditures Over Budget 34%

Departmental monitoring reports a period-to-date variance of \$56,657. This fund is currently over budget due to two positions which are on loan from other divisions within the department. These positions are necessary due to increased Utilities Undergrounding Program requirements. The expense associated with these positions will be mitigated by savings in other areas throughout the remainder of the fiscal year.

Environmental Services

General Fund

Expenditures Under Budget 30%

Departmental monitoring reports a period-to-date variance of \$2,174,316. This department is currently spending under budget primarily due to a rent payment which has not been made for the Environmental Services Operations Station in the amount of \$1,845,196.

Energy Conservation Program Fund

Expenditures Under Budget 18%

Departmental monitoring reports a period-to-date variance of \$49,383. This fund is currently under budget due to several vacant positions and an employee on long-term

disability. The department anticipates filling the vacant positions by November and the employee on long-term disability is anticipated to return in December.

Revenues Under Budget 89%

Departmental monitoring reports a period-to-date variance of \$636,130. This fund is currently realizing a revenue shortfall due to fund transfers which have not yet been processed. The department anticipates the transfers to be processed by late October.

Recycling Fund

Revenues Over Budget 25%

Departmental monitoring reports a period-to-date variance of \$815,769. This fund is currently reporting receipt of additional revenue due to the cycle of funds received. Typically, payments are received on the 15th of the month. The department anticipates being on budget at year-end.

Refuse Disposal Funds

Expenditures Under Budget 25%

Departmental monitoring reports a period-to-date variance of \$1,066,169. This fund is currently under budget due to vacant positions and a lower than anticipated expenditure rate in supplies and services.

Revenues Under Budget 14%

Departmental monitoring reports a period-to-date variance of \$1,011,954. This fund is currently realizing a revenue shortfall due to a delay in the General Fund rent payment for the Environmental Services Operations Station in the amount of \$1,845,196. The department anticipates this transfer to occur later in the fiscal year with no negative impact to the fund.

General Services

Publishing Services Internal Fund

Expenditures Under Budget 11%

Departmental monitoring reports a period-to-date variance of \$60,454. This fund is currently under budget due to vacant positions.

Revenues Under Budget 11%

Departmental monitoring reports a period-to-date variance of \$45,171. This fund is currently realizing a revenue shortfall due to the replacement of photocopy machines citywide. Once this change is complete, in December, the department will receive increased revenue.

Metropolitan Wastewater

General Fund

Expenditures Under Budget 58%

Departmental monitoring reports a period-to-date variance of \$430,886. This department is currently spending under budget due to positions being held vacant until Business Process Reengineering efforts are completed.

Revenues Under Budget 83%

Departmental monitoring reports a period-to-date variance of \$59,214. This department is currently realizing a revenue shortfall due to vacant reimbursable positions. The department is in the process of filling the positions.

Sewer Funds

Expenditures Under Budget 32%

Departmental monitoring reports a period-to-date variance of \$13,699,679. Of this total, \$9,038,456 is attributed to the Capital Improvements Program. Due to lack of a rate review and financing in Fiscal Year 2006, continuing appropriations were lower resulting in decreased expenditures during Periods 1 and 2 of this year. The period-to-date

variance for the Operating Budget, \$4,661,222, is due to a decrease in public liability claims during the same time period and a slower rate of expenditure compared to previous years for the first two periods.

Water

Water Department Fund

Expenditures Under Budget 20%

Departmental monitoring reports a period-to-date variance of \$10,885,342. This fund is currently under budget due to vacant positions, cancellations of Service Level Agreements (SLA's), efficiencies in operations, and delays in capital improvement project expenditures. However, unanticipated repairs to the distribution system and the potential need for additional water purchases above budgeted amounts could mitigate any potential savings. In addition, many of the department's capital improvement projects are on delay until additional financing becomes available.

Other / Non-Mayoral

Bond Interest and Redemption

Bond Interest and Redemption Fund

Revenues Over Budget 152%

Departmental monitoring reports a period-to-date variance of \$38,226. This fund is currently reporting receipt of additional revenue due to early release of unsecured property taxes by the County. This will be offset by lower revenues during the next period.

Chief Operating Officer

General Fund

Revenues Under Budget 100%

Departmental monitoring reports a period-to-date variance of \$17,946. This department is currently realizing a revenue shortfall due to the cancellation of a Service Level Agreement (SLA) with the Metropolitan Wastewater Department. This SLA was cancelled in accordance with the Grand Jury's recommendations. Budgeted revenue of approximately \$80,000 for this SLA will not be realized this fiscal year.

City Attorney

General Fund

Revenues Under Budget 58%

Departmental monitoring reports a period-to-date variance of \$524,309. This department is currently realizing a revenue shortfall due to a change in billing practices for Service Level Agreements. Revenue received reflects charges for actual work performed. Because of the City's inability at this time to enter the public bond market, legal services provided to enterprise departments have decreased. For this reason, the department expects to have an estimated revenue shortfall of \$3,738,415 at year-end related to reduced billings.

City Council - District 2

General Fund

Expenditures Under Budget 22%

Departmental monitoring reports a period-to-date variance of \$33,221. This department is currently spending under budget due to vacant positions.

City Council - District 4

General Fund

Expenditures Under Budget 17%

Departmental monitoring reports a period-to-date variance of \$26,517. This department is currently spending under budget due to vacant positions.

City Council - District 5

General Fund

Expenditures Under Budget 21%

Departmental monitoring reports a period-to-date variance of \$32,133. This department is currently spending under budget due to vacant positions.

City Council - District 6

General Fund

Expenditures Under Budget 10%

Departmental monitoring reports a period-to-date variance of \$14,907. This department is currently spending under budget due to a lower than anticipated expenditure rate in supplies and services.

City Council - District 7

General Fund

Expenditures Over Budget (not significant variance) 5%

Departmental monitoring reports a period to date variance of \$8,093. This variance is not within a significant range (over or under budget by 10%) that was established in this report. The variance is due to a change in staffing and the pay out of earned annual leave for terminating employees. These are non-recurring costs and the department is trending at budget.

Council Administration

General Fund

Expenditures Under Budget 25%

Departmental monitoring reports a period-to-date variance of \$110,937. This department is currently spending under budget due to a lower than anticipated expenditure rate in supplies and services.

Ethics Commission

General Fund

Expenditures Under Budget 42%

Departmental monitoring reports a period-to-date variance of \$61,838. This department is currently spending under budget due to vacancies of half the department's positions. The department anticipates filling vacant positions and expects to be fully expended at year-end.

Gas Tax

Gas Tax Fund

Expenditures Under Budget 67%

Departmental monitoring reports a period-to-date variance of \$1,582,937. This fund is currently under budget due to capital improvement project expenses which have not yet been charged to the fund.

Revenues Under Budget 100%

Departmental monitoring reports a period-to-date variance of \$2,952,270. This fund is currently realizing a revenue shortfall due to a delay in the posting of revenues received. Payments are received monthly.

Special Promotional Programs

Transient Occupancy Tax Fund

Expenditures Under Budget 88%

Departmental monitoring reports a period-to-date variance of \$1,581,924. This fund is currently under budget due to delays in establishing contracts with non-profit organizations which receive Transient Occupancy Tax funds. It is anticipated that this fund will be fully expended at fiscal year end.

Revenues Under Budget 22%

Departmental monitoring reports a period-to-date variance of \$2,176,082. This fund is currently realizing a revenue shortfall due to the timing of posting for July's Transient Occupancy Tax (TOT) receipts. It is expected that the fund will receive the full amount of revenues budgeted by fiscal year end.

Storm Drain

Storm Drain Fund

Revenues Under Budget 19%

Departmental monitoring reports a period-to-date variance of \$34,787. This fund is currently realizing a revenue shortfall because of the timing of water bills. This is expected to be offset in future periods.

TransNet

TransNet (1/2% Sales Tax) Fund

Expenditures Under Budget 91%

Departmental monitoring reports a period-to-date variance of \$13,640,926. This fund is currently under budget due to delays in receipt of funding for capital improvement projects pending completion of audits.

Revenues Under Budget 100%

Departmental monitoring reports a period-to-date variance of \$7,042,066. This fund is currently realizing a revenue shortfall due to a delay in the receipt of funding pending completion of audits. This will be offset in future periods.

Transportation

AB 2928 - Transportation Relief Fund

Revenues Over Budget 100%

Departmental monitoring reports a period-to-date variance of \$11,155,388, of that \$1.6 million is Fiscal Year 2006 monies received in Fiscal Year 2007. The \$9.5 million balance is the full Fiscal Year 2007 scheduled payment from the State. No further payments from the State are anticipated until Fiscal Year 2009. Staff will bring forward Council Actions to appropriate the additional revenue of \$4,500,000 which was not included in the Fiscal Year 2007 budget.

Zoological Exhibits

Zoological Exhibits Fund

Revenues Over Budget 187%

Departmental monitoring reports a period-to-date variance of \$141,469. This fund is currently reporting receipt of additional revenue due to early release of unsecured property taxes by the county. This will be offset by lower revenues during the next period.

RESTRUCTURING

Various budgetary adjustments are needed to reflect restructuring efforts that were not completed in time to be included in the Fiscal Year 2007 Annual Budget. The transfers and reductions listed below have no net impact to the General Fund. Positions, funding, and revenue are moving from one General Fund department to another. In the case of reductions, an equivalent amount of revenues are being reduced due to the discontinuation of reimbursable services.

Business and Grant Administration/Community and Legislative Services

In order to correct the Fiscal Year 2007 budget, 2.00 Council Representative II positions and related non-personnel expenses should be transferred from the Business and Grant Administration Department to the Community and Legislative Services Department. This action will move 2.00 FTE and \$215,130 of expenses with no net impact to the General Fund.

City Auditor and Comptroller/City Treasurer

To reflect the restructure of the external audit section, five positions (1.00 Principal Accountant, 1.00 Accountant III, and 3.00 Accountant II) should be transferred from the City Auditor and Comptroller Department to the City Treasurer Department. This action will move 5.00 FTE and \$481,268.00 of expenses with no net impact to the General Fund.

In order to correct the Fiscal Year 2007 budget, three positions (1.00 Principal Accountant, 1.00 Accountant III, and 1.00 Payroll Audit Specialist) should be removed from the City Auditor and Comptroller Department budget. These positions and related non personnel expenses were to be transferred to the City Retirement Department but have already been included in City Retirement's Fiscal Year 2007 budget. This action will remove 3.00 FTE and \$299,487 of expenses and revenue from the General Fund with no net impact to the General Fund.

Customer Services/Community and Legislative Services

In order to correct the Fiscal Year 2007 budget, 3.00 Council Representative II positions and related non-personnel expenses should be transferred from the Customer Services Department to the Community and Legislative Services Department. This action will move 3.00 FTE and \$214,816 of expenses with no net impact to the General Fund.

Department of Finance/Financial Management

To properly reflect the organizational structure of the Financial Management Department, the Financial Management Director should be transferred from the Department of Finance to the Financial Management Department. This action will move 1.00 FTE and \$201,356 of expenses with no net impact to the General Fund.

Due to the discontinuation of the Optimization Program, the Financial Management Department is eliminating 1.00 Supervising Management Analyst position and associated revenue. This action will remove 1.00 FTE and \$115,000 of expenses and revenue from the General Fund with no net impact to the General Fund.

General Services/City Treasurer/Police

In order to reflect the restructure of the Parking Management Division that was not included in the Fiscal Year 2007 budget, positions and funding should be transferred from the General Services Department to the City Treasurer and Police Department. Parking enforcement was identified as a non core function for Public Works and the operation was divided between the Police Department (enforcement) and City Treasurers (collections). Positions and funding should be transferred from the General Services Department to the City Treasurer and Police Departments. The Parking Management division has 100.00 FTE, a total budget of \$9,583,073 and revenue in the amount of \$25,683,216. This action will move 30.00 FTE, \$3,801,278 in expenditures and \$7,321,204 in revenue to the City Treasurer Department. This action will also move 70.00 FTE, \$5,781,795 in expenditures and \$18,362,012 in revenue to the Police Department. There is no net impact to the General Fund.

Special Projects/Department of Finance

In order to correct the Fiscal Year 2007 budget, two positions (1.00 Director of Major Gifts and 1.00 Program Manager) and related non-personnel expenses should be transferred from the Special Projects Department to the Department of Finance. This action will move 2.00 FTE and \$370,979 of expenses with no net impact to the General Fund.

Summary of Restructuring				
Department From	Department To	FTE	Expenditure	Revenue
Transfers				
Business and Grant Administration		(2.00)	(\$215,130)	
	Community and Legislative Services	2.00	\$215,130	
City Auditor and Comptroller		(5.00)	(\$481,268)	
	City Treasurer	5.00	\$481,268	
Customer Services		(3.00)	(\$214,816)	
	Community and Legislative Services	3.00	\$214,816	
Department of Finance		(1.00)	(\$201,356)	
	Financial Management	1.00	\$201,356	
General Services		(100.00)	(\$9,583,073)	(\$25,683,216)
	Police	70.00	\$5,781,795	\$18,362,012
	City Treasurer	30.00	\$3,801,278	\$7,321,204
Special Projects		(2.00)	(\$370,979)	
	Department of Finance	2.00	\$370,979	
	Transfer subtotal	0.00	\$0	\$0
Reductions				
City Auditor and Comptroller		(3.00)	(\$299,487)	(\$299,487)
Financial Management		(1.00)	(\$115,000)	(\$115,000)
	Reductions subtotal	0.00	\$0	\$0
Total General Fund Impact		(4.00)	(\$414,487)	(\$414,487)

FISCAL CONSIDERATIONS:

The requested restructuring results in no net impact to the General Fund.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.

Mary Lewis
Financial Management Director

Jay Goldstone
Chief Financial Officer

- Attachments: I. General Fund as Percent-of-Year
A. Revenues
B. Expenditures
C. Citywide Program Expenditures
II. General Fund Period-to-Date
A. Revenues
B. Expenditures
III. Period-to-Date
A. Expenditures
B. Revenues