

2015-2016 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

OVERVIEW

General Fund expenditures through December totaled \$527.0 million, or 39.6% of the total 2015-2016 Modified Budget. This represents an increase of \$44.2 million, or 9.2%, from the December 2015 level of \$482.8 million. Encumbrances totaling \$51.7 million were \$7.9 million (13.3%) below the December 2015 level of \$59.6 million. Expenditures and encumbrances through December of \$578.7 million constituted 43.5% of the total Modified Budget (including reserves) of \$1.3 billion; without reserves of \$131.9 million, expenditures and encumbrances constituted 48.3% of the total Modified Budget. The following chart displays the year-to-date expenditures (excluding encumbrances) compared to the prior year, by category.

2015-2016 General Fund Expenditures through December (\$ in Thousands)

Category	Current Budget	YTD Actual	% of Budget	Prior Year % of Budget
Departmental Expenditures				
Personal Services	\$ 711,816	\$ 333,041	46.8%	46.0%
Non-Personal/Equipment	116,068	40,395	34.8%	35.2%
Other Departmental	20,121	8,622	42.9%	44.1%
<i>Subtotal Departmental Expenditures</i>	<u>848,005</u>	<u>382,058</u>	<u>45.1%</u>	<u>44.5%</u>
Non-Departmental Expenditures				
City-Wide Expenses	\$ 254,532	\$ 105,044	41.3%	31.2%
Capital Contributions	68,351	12,759	18.7%	3.1%
Transfers	27,128	27,128	100.0%	100.0%
Reserves*	131,900	40	0.0%	0.0%
<i>Subtotal Non-Departmental</i>	<u>481,911</u>	<u>144,971</u>	<u>30.1%</u>	<u>23.8%</u>
Total	\$ 1,329,916	\$ 527,029	39.6%	36.1%

* In December 2015, expenditures of \$40,000 and an encumbrance of \$500 were incorrectly charged to Reserves. Expenditures cannot be charged directly to a reserve, therefore adjustments have been made to reallocate these charges to their correct appropriations.

Overall, General Fund expenditures are tracking below anticipated levels and are expected to end the year with savings to assist in meeting the 2015-2016 ending fund balance estimate that will be used as a funding source in the Five-Year General Fund Forecast and the 2016-2017 Proposed Budget.

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

STATUS OF GENERAL FUND EXPENDITURES

OVERVIEW

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 fiscal/program needs, including: the establishment of a \$5.0 million Police Department Overtime Reserve for 2016-2017, funded by Police Department salary and benefit savings; funding for a Police Staffing Efficiency Study (\$200,000); funding for anticipated escort services provided by the California Highway Patrol for Super Bowl 50 (\$86,000); addition of 1.0 Senior Deputy City Attorney III position (\$83,000) to provide ongoing legal services related to campaign guidance for candidates, election rules, and ethics issues, as well as legal support for demonstration projects with the private/non-profit section and civic innovation matters; funding for the Business Circle Lighting and Security Project (\$80,000) to address potential unsafe conditions at Business Circle, located at the southwest corner of Stevens Creek Blvd. and S. Bascom Ave.; funding for Economic Development Pre-Development Activities (\$50,000); funding for an Expedited Purified Water Program (\$50,000) to continue with a Private Activity analysis to assess the use of wastewater effluent for a potential Expedited Purified Water Program; and funding for additional Fire Department overtime costs associated with Super Bowl 50 (\$50,000).
- Implement required technical and rebalancing actions including, but not limited to:
 - Increasing the Transient Occupancy Tax (TOT) revenue estimate by \$2.3 million to reflect the continued strong growth of the hotel industry, offset by increasing the Cultural Facilities Capital Maintenance Reserve in the amount of \$2.3 million per previous City Council direction;
 - Reallocating funding from the Information Technology (IT) Department Personal Services appropriation to the IT Non-Personal/Equipment appropriation in the amount of \$1.0 million to use temporary staffing agencies and outside vendors to address immediate critical projects while recruiting efforts are underway to fill vacant positions;
 - Reallocating funding from the Parks, Recreation and Neighborhood Services (PRNS) Personal Services appropriation to the PRNS Non-Personal/Equipment appropriation in the amount of \$434,000 to provide funding for higher than anticipated parks water costs and increases in the contract for park restroom maintenance; and
 - Addressing updated cost estimates, funding needs, and technical adjustments, including additional funding for Fiscal Reform Plan Outside Legal Counsel (\$250,000), for Actuarial Services (\$135,000), for Banking Services (\$118,000), and others discussed in further detail below.

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

STATUS OF GENERAL FUND EXPENDITURES

OVERVIEW

- Appropriate additional grant, reimbursement, and/or fee related funds (\$7.3 million) including but not limited to:
 - Establishing a City Council District #2 Participatory Budget Process appropriation in the amount of \$1.0 million as a result of a settlement with Calpine. The community, bounded by the area south of Bernal, north of Bailey, east of Santa Teresa Foothills, and west of Highway 101, will be engaged to determine the best use of the funds;
 - Increasing the Parks, Recreation, and Neighborhood Services Department Fee Activities appropriation in the amount of \$700,000, offset by fee revenue, due to increased activity from the preschool program, the Recreation of City Kids (R.O.C.K) program, which is after school programming for kids provided at school sites, and camps;
 - Increasing the Sidewalk Repairs appropriation by \$600,000, offset by property owner reimbursements, to allow contractor repairs to continue at the current pace until the end of the fiscal year; and
 - Increasing the Emergency Street Tree Services appropriation by \$400,000, offset by property owner reimbursements, for contractor maintenance of street trees which are the responsibility of adjacent property owners; and
 - Others discussed in further detail below.
- Implement clean-up actions, such as adjustments that increase Personal Services appropriations, where needed, to reflect a 3.82% increase in the City's lowest cost health plan rate (\$194,000); increase in Personal Services appropriations, where needed, to reflect Management Pay for Performance Program increases (\$437,000), offset by the Salaries and Benefits Reserve; decreases to Personal Services appropriations to reflect the reconciliation of Retirement Contributions (\$1.5 million) that are recommended to be placed in a Retiree Healthcare Solutions Reserve; and a decrease to the Salaries and Benefits Reserve (\$1.2 million) to offset other actions in this report.

In total, adjustments recommended in this document result in a net increase of \$9.3 million to General Fund expenditures. Additional information on these adjustments can be found in *Section III. Recommended Budget Adjustments and Clean-Up Actions* of this document. The following discussion highlights major General Fund expenditure activities through December.

DEPARTMENTAL EXPENDITURES

Departmental expenditures include personal services (salaries, 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 63.2% of the General Fund expenditures to date.

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

STATUS OF GENERAL FUND EXPENDITURES

DEPARTMENTAL EXPENDITURES

Through December, personal services expenditures for all City departments totaled 46.8% of the current Modified Budget, which is slightly below expectations (48.1%) at this point of the year. This expenditure level was slightly above the 46.0% expended through December last year. Overall, Personal Services expenditures are tracking to end the year with savings. As of January 5, 2016, the City had 678 vacancies city-wide (all funds) compared to 593 vacancies in the prior year, representing a vacancy factor of over 10%. Of the vacant positions, 428 are budgeted in the General Fund compared to 367 in the prior year.

Although some of these vacancies are backfilled with temporary staffing resources, vacancy savings have been accumulating throughout the organization. As described in Section III of this document, a number of reallocations of personal services savings to Non-Personal/Equipment appropriations are recommended to reflect the use of temporary staffing or contractual services until vacancies are filled. In addition, budget actions are recommended to reallocate salary and benefit savings to overtime for the Police and Fire Departments and to establish a 2016-2017 Police Department Overtime Reserve.

Non-Personal/Equipment expenditures of \$40.4 million are also tracking slightly below anticipated levels with 34.8% expended through December, slightly below prior year levels of 35.2% in December 2014. In addition to expenditures, \$24.5 million was encumbered, bringing the total amount of funding committed to \$64.9 million, or 55.9% of the \$116.1 million budget. Overall, these expenditures are expected to remain within budget for all departments with some savings generated by year-end. As a result of the high vacancy levels, as discussed above, many departments have needed to backfill with temporary staffing or contractual services to continue service delivery. As described in Section III of this document, the reallocation of personal services savings to Non-Personal/Equipment appropriations is recommended for the Finance, Information Technology, Parks, Recreation, and Neighborhood Services Departments, and the City Attorney's Office, to ensure sufficient funding for the backfilling of vacant positions with temporary staffing or contractual services to maintain service delivery levels.

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 \$8.6 million (42.9%) of the \$20.1 million budget through December, above prior year levels of \$7.9 million (44.1%) in December 2014. In addition to expenditures, \$200,000 was encumbered, bringing the total amount of funding committed to \$8.8 million, or 43.9% of the Modified Budget.

2015-2016 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

Expenditure Status (\$ in thousands)			
<u>Department</u>	<u>2015-2016 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Fire	\$191,975	\$93,651	\$83,197

On an overall basis, Fire Department expenditures are tracking slightly above estimated levels. Through December, Personal Services expenditures of \$89.6 million are tracking at 49.2%, which is 1.1% above the par level of 48.1%. This higher expenditure level is primarily due to higher than anticipated overtime costs and an accounting error in the treatment of retirement costs for the prior year retroactive pay for Fire sworn personnel. Once the adjustment is made to correct the accounting issue, the Fire Department's personal services expenditures appear to be tracking slightly below estimated levels. However, taking into consideration the anticipated recruit academies in the latter half of the fiscal year, overall personal services costs are actually still tracking slightly higher than budgeted due to increased overtime, partially offset by vacancy savings. The Fire Department's Non-Personal/Equipment budget of \$9.9 million was 59.5% expended or encumbered through December; however, non-personal/equipment expenditures are expected to end the year with some savings as encumbrances will be spent down during the remainder of the year.

Through December, overtime expenditures of \$6.2 million are tracking significantly above anticipated levels with 91.0% expended. Higher overtime expenditures were incurred to backfill for sworn vacancies, to staff strike teams that were deployed to wildland fires, and to staff Engine 34 that was activated due to repairs at Fire Station 16. The Department has requested and will receive reimbursements from the State of California for costs associated with strike team deployments, and actions are being brought forward in this report to recognize and allocate these funds during 2015-2016 (\$424,731). An additional \$77,000 for overtime reimbursement from other agencies is included in this report for the Department's participation in various training activities. Including these reimbursements, however, the Department's overtime budget continues to track above budgeted levels. To bring the overtime budget in line with projected expenditures, this report recommends reallocating \$4.0 million from salary and benefits savings to the overtime budget from (\$6.8 million to \$10.8 million). Additionally, overtime cost control measures, including the budgeted and City Council approved browning out up to two companies, have been implemented to help this issue as in recent years. The Budget Office along with the Fire Department will continue to monitor overtime activity and will bring forward any necessary budget adjustments as part of the Year-End Review to ensure the department remains within its budget.

Overall, the average vacancy rate of 3.6% is 0.3% lower than the vacancy rate at this time last year; however, vacancies continue to exceed the budgeted rate of 2.8%. There are currently 25 recruits in the September 2015 Firefighter Recruit Academy. These recruits are expected to begin filling line positions by January 30, 2016. Paramedic accreditation of September 2015 Firefighters should also result in a reduction of overtime usage. A second Firefighter/Paramedic Recruit Academy in February 2016 will

2015-2016 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

train an additional 25 recruits, which will fill remaining sworn vacancies and bring the budgeted vacancy rate in line for the second half of the year.

Personal services expenditures in the Development Fee Program of \$2.5 million tracked higher than estimated levels with 50.4% expended. This is the result of using temporary resources to meet peak workload demand and turnaround time commitments. Actions are recommended in this report to increase this appropriation and reduce the Fire Development Fee Program Reserve by \$200,000. The Budget Office along with the Fire Department will continue to monitor spending activity to ensure the department remains within its Personal Services appropriation.

In accordance with the City Council’s approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of December, the Fire Department has 33 sworn personnel on administrative assignments, which is consistent with the current authorized level.

Expenditure Status (\$ in thousands)

<u>Department</u>	2015-2016 <u>Budget</u>	YTD <u>Actual</u>	Prior YTD <u>Actual</u>
Police	\$346,971	\$155,940	\$147,508

On an overall basis, the Police Department’s expenditures are tracking below estimated levels. Personal services expenditures of \$146.6 million tracked below anticipated levels (46.2% compared to the par of 48.1%), despite overtime expenditures of \$15.5 million through December tracking higher than anticipated levels, with 57.5% expended of the current \$27.3 million budget. To bring the overtime budget in line with projected expenditures, this report recommends reallocating \$8.0 million from salary and benefits savings to the overtime budget (from \$27.3 million to \$35.3 million).

Based on current trends, personal services expenditures are tracking to end the year with savings of approximately \$9.5-\$10.0 million, which represents approximately 3% of the personal services budget. Of this amount, \$5.0 million is recommended to be set aside in a Police Department Overtime Reserve for use in 2016-2017 as has been the practice in recent years. Although the Police Department is conducting regular police officer recruit academies to hire for sworn vacancies and continues to review strategies to improve the rate of sworn hiring and training, the Department is anticipated to begin 2016-2017 with approximately 170 sworn vacancies based on current attrition rates. The recommended overtime reserve will supplement 2016-2017 vacancy savings to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars, conduct high profile investigations, as well as cover for civilian vacancies. Budget actions are also recommended in this report to reallocate salary and benefit savings to address other departmental needs, including a Police Staffing

2015-2016 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

Efficiency Study (\$200,000), and an increase to address higher costs related to the Police Administration Building Fencing – Employee Parking Lot Perimeter project (\$43,000) and a study on limited detentions (\$41,000).

Overtime consists of overtime expenditures and compensatory time. The compensatory time balance at the end of January 2016 was 198,030 hours for sworn personnel. This represents an increase of 21,076, or 11.9%, compared to the January 2015 balance of 176,954.

The chart below outlines current authorized sworn staffing levels and the number of street-ready sworn positions available at work:

	2014-2015 (as of 1/08/15)	2015-2016 (as of 1/26/16)
Authorized Sworn Staffing	1,109	1,109
Vacancies	(118)	(193)
Filled Sworn Staffing	991	916
Recruits/Field Training Officer	(42)	(45)
Street-Ready Sworn Positions Available	949	871
Disability/Modified Duty/Other Leaves	(67)	(54)
Street-Ready Sworn Positions Working	882	817

In order to fill the vacant sworn positions and put more Police Officers back on patrol, the Department will conduct three Police Recruit Academies in 2015-2016 with one that began in October 2015. Each academy has the capacity to host up to 45 recruits. The October 2015 Academy currently has 9 recruits, with the next academy beginning in February 2016 with 10 recruits, and a third academy anticipated in June 2016.

A total of \$14.1 million (48.0%) 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 operation and replacement, the Department has approximately \$7.9 million, or 48.5% of the non-centrally-determined appropriation available for the remainder of the fiscal year.

2015-2016 MID-YEAR BUDGET REVIEW

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

With a Modified Budget of \$481.9 million, Non-Departmental Expenditures include City-Wide Expenses, Capital Contributions, Transfers, and Reserves.

Through December, City-Wide Expenses totaled \$105.0 million, or 41.3% of the Modified Budget of \$254.5 million. When expenditures and encumbrances of \$21.9 million are combined, the total amount of funding committed (\$127.0 million) was 49.9% of the budget. In total, City-Wide expenditures are tracking to end the year within or slightly below budgeted levels.

2015-2016 City-Wide Expenses
Expenditures by City Service Area
(\$ in Thousands)

City Service Area	Current Budget	YTD Actual	% of Budget	Prior Year Actual	Prior Year % of Budget
Community & Economic Development	\$ 35,265	\$ 16,272	46.1%	\$ 17,247	50.2%
Environmental & Utility Services	3,033	533	17.6%	970	41.0%
Neighborhood Services	12,401	5,603	45.2%	2,950	29.9%
Public Safety	21,977	8,582	39.0%	9,118	44.9%
Transportation & Aviation Services	6,059	2,791	46.1%	2,616	41.8%
Strategic Support	175,797	71,263	40.5%	59,660	26.6%
TOTAL	\$ 254,532	\$ 105,044	41.3%	\$ 92,561	31.2%

The expenditure tracking for City-Wide Expenses can vary significantly depending on payment schedules and the timing of projects. For example, in 2015-2016, expenditures through December reflect the partial payment of the \$100 million Tax and Revenue Anticipation Notes (TRANS) of \$50.2 million. 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 be brought forward at the end of the year to rebudget any savings to 2016-2017 to complete projects in progress.

Adjustments to City-Wide Expenses appropriations are recommended in this report to align the budget with the year-end expenditure projections, additional details on these actions can be found in *Section III. Recommended Budget Adjustments and Clean-Up Actions* of this 2015-2016 Mid-Year Budget Review. Key actions recommended to increase funding in this report include:

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

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

- Establishing a City Council District 2 Participatory Budget Process appropriation to fund a community engagement process to determine the best use of a \$1 million settlement payment from Calpine. On October 20, 2015, the City Council delegated authority to the City Manager to begin negotiations and implementation activities related to required air monitoring stations in the 2001 Cooperation Agreement with Calpine Metcalf Energy. The negotiations resulted in a payment of \$1.0 million in lieu of the construction and operation of two air monitoring stations; these funds are to be earmarked for community projects in the area bounded by the area south of Bernal, north of Bailey, east of Santa Teresa Foothills, and west of Highway 101.
- Increasing the Sidewalk Repairs appropriation, offset by reimbursement revenue from property owners, in the amount of \$600,000. Additional funding is necessary to keep pace with the requests for repair work by the City contractor.
- Increasing the Emergency Street Tree Services appropriation, offset by reimbursements from property owners, in the amount of \$400,000. In response to the current storm season, the City has encouraged property owners to identify potentially hazardous tree conditions; this additional funding enables the City to meet the anticipated increased demand for street tree maintenance services.
- Increasing the Fiscal Reform Plan Outside Legal Counsel appropriation by \$250,000 to fund the outside legal services needed to assist with the Quo Warranto/Ballot Measure Implementation Plan outlined in the Alternative Pension Reform Settlement Framework agreements with the City's employee groups.

In total, adjustments recommended in this report result in a net increase of \$3.2 million to City-Wide Expenses. Additional information on these adjustments can be found in Section III of this report.

The following highlights key appropriations in City-Wide Expenses across the five different City Service Areas (CSAs):

- In July 2015, the City issued \$100.0 million in Tax Revenue Anticipation Notes (TRANs) for cash flow purposes. The \$100.4 million **Tax and Revenue Anticipation Notes** appropriation is used for the repayment of these TRANs, including issuance, principal, and interest costs; \$50.2 million or approximately 50% of the budget was expended through December as anticipated. This appropriation constitutes the largest allocation in the Strategic Support CSA.
- **Workers' Compensation Claims** appropriations totaling \$20.5 million are budgeted in four of the six CSAs with total expenditures of \$9.4 million through December 2015, or approximately 46% of the Modified Budget. This is slightly higher than last year's expenses through December, after correcting for timing differences, of \$8.9 million, or 45% of budgeted levels.

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

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

Workers' Compensation claim payments are tracking to remain within the 2015-2016 Adopted Budget of \$20.5 million, although some adjustments will need to be made to specific departmental City-Wide appropriations to redistribute funding based on projected needs. The Police Department's appropriation is anticipated to have approximately \$2.3 million of savings from its \$9.4 million budget, while several departments are projected to exceed their current Workers' Compensation Claims appropriations, including Fire Department (by \$800,000), the Department of Transportation (by \$525,000), and the Parks, Recreation and Neighborhood Services Department (by \$350,000). A portion of the savings from the Police Department Workers' Compensation Claims appropriation is recommended to be redistributed to the Workers' Compensation Claims appropriations for the Fire, Transportation, and Parks, Recreation, and Neighborhood Services Departments to cover their projected overages.

- In the Strategic Support CSA, the **General Liability Claims** appropriation totals \$13.2 million, of which approximately 29% is expended or encumbered through December 2015 as compared to 36% expended or encumbered through December 2014. While there is expected to be sufficient funding to address estimated claims in 2015-2016, an adjustment to the 2016-2017 budget for these claims will be required, given a large recent award against the City of \$11.3 million. While the General Liability/Workers' Compensation Claims Reserve of \$15.0 million would be available in the short term to address this large claim, this reserve would need to be replenished if used. Therefore, an alternative strategy to using this reserve will be pursued.
- Also in the Strategic Support CSA, **Sick Leave Payments Upon Retirement** expenditures of \$1.7 million through December reflect 34.3% of the total 2015-2016 budget of \$5.0 million. Year-to-date expenditures for these payouts are higher than in recent years and timing of payments can be difficult to predict from year to year. Given the majority of expenditures in this appropriation typically occur in the second half of the year, this appropriation will be closely monitored. If additional funding is required, a recommendation to reallocate funds from the Sick Leave Payments Upon Retirement Reserve, will be brought forward as part of the year-end budget adjustment memorandum for City Council consideration.
- In the Community and Economic Development CSA, the **Homeless Rapid Rehousing** and **Homeless Response Team** appropriations have expended or encumbered 35.9% and 72.0% of their respective budgets. These two appropriations provide funding for critical resources to address the City's ongoing efforts related to homelessness. This report includes an action to reallocate \$200,000 from the Homeless Rapid Rehousing appropriation to the Homeless Response Team appropriation to provide funding for anticipated expenditures associated with additional encampment cleanups and case worker outreach to at risk homeless populations during El Niño.

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

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

- In the Neighborhood Services CSA, the **San José BEST and Safe Summer Initiative Programs** appropriation has year-to-date expenditures of \$2.3 million with an additional \$1.7 million encumbered, reflecting 59.2% of the total budget of \$6.7 million committed. This appropriation supports gang prevention and intervention efforts across the City.
- In Strategic Support CSA, there are two large system upgrade projects underway, including the **Human Resources/Payroll/Budget System Upgrade** project and the **Business Tax System Replacement** project. These system upgrade projects are well underway, and have expended or encumbered 75.4% and 68.4% of their respective budgets.

Through December, **General Fund Capital** expenditures totaled \$12.8 million and encumbrances totaled \$5.3 million, bringing the amount committed to \$18.0 million, or 26.4% of the \$68.4 million budget. Overall, General Fund Capital expenditures are expected to end the year close to budgeted levels with a projected savings of \$293,000 in the South San José Police Substation project. This report includes an action to increase the Police Administration Building Fencing – Employee Parking Lot Perimeter appropriation by \$43,000 to address higher than anticipated project costs.

Transfers of \$27.1 million are 100.0% expended through December as anticipated. All of the transfers from the General Fund are processed at the beginning of the year and have been completed. A recommended increase to the transfer to the Water Utility Fund of \$21,604 is included in this report to reimburse the fund for excess late fee revenues transferred to the General Fund in 2014-2015.

Expenditures of \$40,000 and an encumbrance of \$500 were incorrectly charged against the **Reserves** budget of \$97.4 million. Expenditures cannot be charged directly to a reserve, therefore adjustments have been made to reallocate these charges to their correct appropriations. Several budget actions are recommended in this report that impact General Fund Reserves. The major actions are described below.

- Establish a **Police Department Overtime Reserve** (\$5.0 million) that would be funded from Police Department salary and benefits savings. As discussed in this report, the Police Department is expected to begin 2016-2017 with approximately 170 sworn vacancies based on current attrition rates. Overtime funding will be needed in 2016-2017 to continue backfilling for vacant patrol positions and maintain targeted enforcement of high crime activity through suppression cars. The funding will also be available to cover for civilian staffing vacancies as needed. The establishment of this reserve will provide the necessary overtime funding to continue to address these and other Police needs in 2016-2017.

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

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

- A total decrease of \$385,000 to the Fiscal Reform Plan Implementation Reserve is recommended to reflect:
 - An increase to the Fiscal Reform Plan Outside Legal Counsel appropriation by \$250,000 for outside legal services needed to assist with the Quo Warranto/Ballot Measure Implementation Plan outlined in the Alternative Pension Reform Settlement Framework agreements with the City's employee groups; and
 - An increase to the City Manager's Non-Personal/Equipment appropriation by \$135,000 to fund actuarial services to assist with analysis related to the Alternative Pension Reform Settlement Framework. Funding will provide actuary support for implementation issues with the retirement boards' actuary and other issues related to the Federated and Police and Fire retirement plans.

No budget action is recommended for the Contingency Reserve, which currently totals \$34.5 million and complies with the City Council policy to set aside 3% of expenditures.

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