





Date: January 27, 2015

To: Patrick H. West, City Manager 

From: John Gross, Director of Financial Management 

For: Mayor and Members of the City Council

Subject: **Update on FY 14 Year-End for the General Fund and Uplands Oil Fund**

This report provides a high level, preliminary update on the FY 14 year-end financial status for the General Fund and the Uplands Oil Fund. The final FY 14 year-end report will be agendized for the February 10, 2015 City Council meeting, with the recommendations described below. The FY 14 surplus allows the opportunity to use non-recurring funds to invest in top Mayor and City Council priorities. As outlined below, City staff is recommending investments in unfunded liabilities; increasing our reserves; funding one-time unfunded costs such as the fourth district special election and labor negotiations costs; required enhancements to areas such as our CPCC investigations and civil service hiring and recruitment process; investing in critical street infrastructure; public safety and homeless services augmentations; and funding innovative solutions that will improve City operations and ultimately save money.

The preliminary results indicate that there will be a total FY 14 ending funds available of \$6.7 million for both the General Fund and the Uplands Oil Fund as shown below:

Preliminary FY 14 Status		
General Fund and Uplands Oil Fund		
(in \$ millions)		
Fund	Ending Funds Available	
General Fund	\$	3.2
Uplands Oil Fund	\$	3.5
Total	\$	6.7

The FY 14 ending funds available is projected to be \$3.2 million for the General Fund and \$3.5 million for the Uplands Oil Fund. These funds available are in addition to operating and emergency reserves in both funds. In general, revenues for the year were better than budgeted and expenditures were lower than budgeted. For FY 15, variances from budgeted revenues and expenditures will be analyzed to determine the degree to which variances in FY 14 are one-time or on-going. On-going variances will be taken into account in the FY 16 proposed budget projections.

The proposed uses for the funds available are shown in the chart below. Similar to what was recommended as funds available in FY 14, it is recommended to leave a minimum funds available in the General Fund of \$0.5 million, and to use all funds available in the

Uplands Oil Fund. A zero funds available in the Uplands Oil Fund is acceptable because an operating reserve exists and an increase in the oil fluctuation reserve is being recommended. An explanation for each of the proposed year-end uses follows the chart.

Table 2: Proposed Uses of the General and Uplands Oil Funds Available		
	(\$ in millions)	
	General Fund	Uplands
Ending Funds Available (9/30)	\$ 3.2	\$ 3.5
Recommendations for Uses of Funds Available		
Council Policy 5% to Unfunded Liability Reserve	\$ (0.159)	\$ (0.174)
City Clerk for Elections- District 4		\$ (0.200)
Council Districts Request for Office Budget Carry-over	\$ (0.196)	
Attorney Funds for Labor Negotiations		\$ (0.200)
CPCPC Investigator Enhancement		\$ (0.125)
City Clerk for Election Systems License		\$ (0.100)
Innovation Team Grant Match		\$ (0.400)
Innovation & Efficiency Initiatives	\$ (2.000)	\$ -
Pavement Management Plan Implementation (street work)		\$ (1.000)
PD Overtime	\$ (0.275)	
PD Academy Recruitment Costs		\$ (0.083)
Homeless Services Augmentation		\$ (0.100)
Civil Service Staffing Needs		\$ (0.220)
Uplands Reserve for Oil fluctuation - to 2 months reserve (\$2.9M)		\$ (0.882)
Remaining Ending Funds Available (9/30)	\$ 0.5	\$ 0.0

The recommendations for uses of Funds Available include the following:

- Set aside 5 percent for unfunded liabilities to comply with City Council’s adopted financial policy. This includes \$159,000 from the General Fund and \$174,000 from the Uplands Fund.
- Fund City Clerk expenses related to the special election in the Fourth District, which are estimated not to exceed \$200,000 from the Uplands Fund.
- Carry-over for the Legislative Department savings, which is for the annual process that uses Council District surpluses to provide one-time support for existing City programs in the next fiscal year (FY 15). There is approximately \$197,000 available in savings in the General Fund for this purpose.
- Fund the City’s outside attorney costs for support in this year’s labor negotiations, which is estimated not to exceed \$200,000 from the Uplands Fund.
- Enhance the Citizen Police Complaint Commission (CPCPC) with an Investigator position, which is estimated to cost approximately \$125,000, from the Uplands Fund. This will be included structurally in the FY 16 budget to fund this position.
- Address the unbudgeted election system license expense in the City Clerk Department at a cost of approximately \$100,000 from the Uplands Fund. This will be included structurally in the FY 16 budget to pay for these ongoing costs.

- Fund a portion of the grant match for the recently awarded Bloomberg Innovation Team grant in the amount of \$400,000 from the Uplands Fund.
- Set aside seed money from a portion of departmental savings to fund innovation and efficiency initiatives that will be used to invest in projects that will save ongoing operating costs or generate additional revenues, as well as innovative approaches to improve service delivery and address problem areas. The Innovation and Efficiency Initiatives Revolving Fund will start out with \$2.0 million from the General Fund. If approved, the mechanics of the Fund will be brought back to the Budget Oversight Committee for review and recommendations.
- Commence implementation of the Pavement Management Plan for critical street work throughout all nine Council Districts, which will supplement the existing street improvement budget by \$1 million from the Uplands Fund. A study session on the Pavement Management Plan will be scheduled for City Council in the next few months.
- Carryover the Police Department's additional year end savings to use for overtime in locations determined by the Police Chief in the amount of \$275,000 in the General Fund.
- Increase funding for the Police Department academy recruitment costs to facilitate a more robust and diverse process in the amount of \$83,000 from the Uplands Fund.
- Augment homeless services through the use of targeted overtime and other services in hotspots in the amount of \$100,000 from the Uplands Fund.
- Enhance Civil Service staffing in order to address the backlog of department requisitions, reduce hiring process cycle time, as well as to modernize testing materials and processes in the amount of \$220,000 in the Uplands Fund. The staffing will be included structurally in the FY 16 budget.
- Supplement the reserve for Uplands Oil fluctuation to help offset a drop in oil revenue, which may threaten the \$17.5 million structural transfer to the General Fund for operations. The additional \$0.9 million will bring the reserve to a two-month funding level in the Uplands Fund. The reserve is intended for emergency use if there is a revenue shortfall while a year is in progress.

The City's financial status will be presented to the City Council in the Year End Performance Report on February 10, 2015. The appropriations for the proposed uses of the surplus listed above will be included in the first FY 15 budget adjustment requests on February 10, 2015.

Please do not hesitate to contact me if you have any questions at 8-6427.

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