



TO: Mayor and City Council

FROM: Larry A. Patterson, City Manager

DATE: May 23, 2014

Re: PROPOSED 2014-16 BUSINESS PLAN

Presented for your consideration is the recommended 2014-16 Business Plan for the City of San Mateo. This two-year business plan includes the proposed budget for the 2014-15 fiscal year and a projected budget for 2015-16. The projected budget for 2015-16 will be revised and formally adopted mid-term through the two-year business cycle at the beginning of fiscal year 2015-16.

Thanks to the leadership of the City Council and the cooperation of labor groups the City has achieved a sustainable outlook for our General Fund operating budget. In addition, these and other factors have allowed us to also reach our policy goal for emergency reserves. Each member of the entire city organization can be proud of role you played in making this happen.

City Council Priorities and Goals

Prior to the biennial budget process commencing, the City Council adopts its priorities, goals, and strategies for the organization and community. During the budget development process, each operating department works to align its budget requests with the Council's priorities and goals. The Council established the following priorities as a focus for the 2014-16 Business Plan;

- Advance Sustainability Issues
- Complete Beresford Park Playground Renovation
- Create Downtown Plaza and Other Public Gathering Places
- Develop Central Park Master Plan
- Develop Clean Water Master Plan for Sewers and Wastewater Treatment Plant
- Develop and Implement Water Conservation Plans including Use of Incentives and Recycled Water
- Develop Ordinance Requiring Maintenance of Vacant Lots on Arterials and Entrances to Business Areas
- Ensure Bay Meadows Build-Out and Hillsdale Station Relocation
- Ensure a Clean and Well-Maintained Downtown
- Explore Ordinance to Ban or Limit "Payday Lenders"

- Explore Possibility of Economic and Community Development Covenants for Former RDA and Other Properties
- Explore Viability of Local Tax for Street, Stormwater, and Sewer Infrastructure Improvements
- Identify and Complete Needed Updates to the City's Municipal Code
- Implement Community Development Management Audit Recommendations
- Implement Downtown Parking Plan
- Improve North B Street
- Improve Park Play Equipment Citywide
- Install Clean and Efficient LED Lights Citywide
- Pursue Grade Separation Projects and Other Rail Corridor Improvements
- Relocate Corporation Yard
- Remove North Shoreview from FEMA Flood Map
- Retain Former Redevelopment Properties
- Study Possible Relocation of City Hall to Downtown

During the past few years leading out of the most recent recession the actions we have taken to control expenditures, negotiate labor agreements that serve both employer and employee interests, along with an improving economy have worked to put the City in a position where Council priorities can be advanced and certain deferred maintenance and operating budget priorities can also be funded. This business plan also programs funds to accelerate progress in the clean water program in the sewer utility to meet regulatory goals, repair aging infrastructure and comply with regional water quality mandates.

Some of the highlights of the 2014-16 Business Plan include the following;

- The Emergency Reserves at \$20.3 million have met the policy goal level and in addition the General Fund beginning fund balance for 2014-15 is estimated at \$8.2 million.
- General Fund revenues for 2013-14 are estimated to be \$2.2 million above 2012-13 and are expected to grow an additional 2.1% in 2014-15 and 4.0% in 2015-16.
- General Fund budget is balanced in both years with a planned use of fund balance in 2014-15 and estimated revenues exceeding expenditures by \$2.0 million in 2015-16.
- The \$2.5 million in targeted budget savings shared among all departments each year for the past four years has been restored to fund operations and positions that have been held in abeyance in areas such as public safety, information technology, storm water maintenance, and street tree trimming.
- Carryover funds from the 2012-13 of \$1.75 million have been programmed for \$1.55 million in one-time uses approved by Council at the annual goal setting session.
- Major realignment of positions and programs have occurred to place greater organizational focus on key Council and citywide initiatives including the addition of nine positions in Community Development as recommended in the recent management audit and the reallocation of programs and staffing into the City Manager's Office for economic development, sustainability, citywide volunteering, and downtown parking.

- Environmental Services Division funding and program management resources are proposed in the Sewer Enterprise budget to begin addressing the \$837 million 20 year clean water program improvements to wastewater collection and treatment systems.

This is not to say that future financial challenges don't lie ahead. We need to be mindful of the expiration of the Measure L ¼ cent eight-year temporary sales tax on March 31, 2018 as we plan ahead. Also, funding pension benefit costs increases over the next five years will certainly require fiscal discipline and measured choices. Last but not least, deferred infrastructure maintenance for storm water and flood control, street maintenance and public parks and buildings must be among the items included in any final funding plan.

Concluding Remarks

Through the years, the City has adapted and changed as necessary to address our economic circumstances and community needs. With the leadership of the City Council and the extraordinary efforts of our employees, this has been possible. Over the last year, I have been extremely proud to be part of this organization and to see the measures taken to achieve financial sustainability begin to pay off while recognizing the organization continues to face certain fiscal challenges. Future challenges including the expiration of Measure L sales tax, increasing pension benefit costs and deferred capital infrastructure maintenance will be met with transparency and actions consistent with the traditions and culture of this organization. I would like to acknowledge and thank all the employees who have worked so tirelessly in these efforts. Although our job is not over, I have every confidence in the ability of the City to successfully address whatever future challenges we face.

For the past two decades, through the efforts of the Finance Department, our City has received statewide awards for "Excellence in Budgeting" from the California Society of Municipal Finance Officers Association (CSMFO), and national awards for "Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA). We are proud of maintaining the highest standards of professionalism and public disclosure for our community demonstrated by the receipt of these awards.

The 2014-16 Business Plan is scheduled for public hearings on June 2nd and June 16th with the adoption on June 16th. A study session is also scheduled, if needed, on June 9th.

We look forward to providing continued service to the community. I am proud to be working alongside such a dedicated and committed group of individuals. Thank you for your continued support of our organization.

Sincerely,

A handwritten signature in cursive script that reads "Larry A. Patterson". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Larry A. Patterson
City Manager

Executive Summary

City of San Mateo

2014 – 16 Two-Year Business Plan

2014 – 2016 Business Plan - Total Operating and Capital Budget

As shown in Table 1, the total 2014-15 City Budget is \$205.77 million. Major components include: 1) Operating Budget of \$149.70 million, up by \$30.79 million compared to the 2013-14 Adopted Budget, and 2) Capital Improvement Program (CIP) of \$56.07 million, up by \$16.17 million compared to the 2013-14 Adopted Budget. The total projected 2015-16 City Budget is \$202.12 million. Major components include: 1) Operating Budget of \$137.60 million and 2) Capital Improvement Program of \$64.52.

Table 1
Total Budget Expenditures All Funds
(Millions)

	ADOPTED 2013-14 BUDGET	CHANGES for 14-15	PROPOSED 2014-15	PROJECTED 2015-16
City Operating Budget Expenditures				
General Fund	82.50	7.81	90.31	92.45
Special Revenue Funds (incl. debt service)	11.91	4.15	16.06	16.07
Enterprise Funds (incl. debt service)	24.50	18.83	43.33	29.08
Total City Operating Budget	118.91	30.79	149.70	137.60
Capital Improvement Program (CIP)	39.90	16.17	56.07	64.52
Grand Total City Budget	158.81	46.96	205.77	202.12

General Fund Two Year Business Plan – 2014-15 & 2015-16

2014-15 Proposed Budget Overview - As shown in Table 2, General Fund operating revenues for the 2014-15 Budget are estimated to be \$94.62 million, a 2.1% increase over estimated actual revenues, and transfers in are \$1.51 million for total sources of \$96.13 million. General Fund operating expenditures are estimated to be \$90.31, an 8.8% increase over the adjusted budget, and transfers out are \$7.20 million for total uses of \$97.52 million. The specific information for transfers out can be found in Table 8.

The 2014-15 beginning fund balance is estimated to be \$8.64 million and ending fund balance is estimated to be \$6.82 due to expenditures and transfers exceeding revenues primarily from the planned use of fund balance for one-time expenditures.

2015-16 Projected Budget Overview – As shown in Table 2, General Fund operating revenues for the 2015-16 Budget are projected to be \$98.39 million, a 4.0% increase, and transfers in are \$1.51 million for total sources of \$99.90 million. General Fund operating expenditures are projected to be \$92.45, a 2.4% increase, and transfers out are \$5.05 million for total uses of \$97.51 million.

For 2015-16 the beginning fund balance is estimated to be \$6.82 million and ending fund balance is estimated to be \$8.84 million due to revenues exceeding expenditures and transfers by \$2.39 million

Table 2
General Fund Budget Summary Comparison
2013-14 Estimated Actual, 2014-15 Proposed, 2015-16 Projected

	2012-13 Actual	2013-14 Adopted Budget	2013-14 Estimated Actual	2014-15 Proposed	% Change from 2013-14 Estimated Actual	2015-16 Projected	% Change from 2014-15 Proposed
						<i>2014-16 Business Plan</i>	
Beginning Available Fund Balance	3,850,389	1,508,132	4,862,732	8,648,164		6,825,220	
Revenues	90,469,424	86,381,643	92,714,949	94,620,246	2.1%	98,390,521	4.0%
Transfers In	1,517,500	1,517,500	2,223,974	1,517,500	-31.8%	1,517,500	0.0%
Total Sources	91,986,924	87,899,143	94,938,923	96,137,746	1.3%	99,908,021	3.9%
Expenditures	79,618,115	82,502,768	82,992,072	90,311,065	8.8%	92,450,683	2.4%
Transfers Out	5,976,224	6,527,110	6,915,770	7,209,625	4.2%	5,059,625	-29.8%
Total Uses	85,594,339	89,029,878	89,907,842	97,520,690	8.5%	97,510,308	0.0%
Revenues Over (Under) Expenditures	6,392,585	(1,130,735)	5,031,081	(1,382,944)		2,397,713	
Planned Use of Fund Balance-Use of One-Time Reserved Funding (see Table 10)				1,557,464		-	
Revenues Over (Under) Expenditures Before Use of One-Time Funding				174,520		-	
Fund Balance Designated for Future Affordable Housing			(1,245,649)	(440,000)		(380,000)	
Transfer to Emergency Reserve	(5,380,235)	-					
Ending Available Fund Balance	4,862,739	377,397	8,648,164	6,825,220		8,842,933	-
						<i>2014-16 Business Plan</i>	

Staffing Changes

As shown in Table 3, the net total change in FTE's for 2014-15 is an increase of 15.94. This includes an increase of 15.17 merit positions and an increase in part-time of 0.77 FTE's. The General Fund will see an increase of 6.26 merit FTE's and an increase in part-time of 0.36 FTE's for a net increase of 6.62 FTE's. Other funds will see an increase of 8.91 merit FTE's and an increase of 0.41 part-time FTE's for a total of 9.32 FTE's. The 8.91 increase in merit FTE's in Other Funds is primarily due to the addition of new positions in the Community Development Department.

Table 3
Summary of FTE Changes

2014-15 Full Time Equivalent Position Changes			
	Merit Positions	Part-time Per Diem	Total
General Fund	6.26	0.36	6.62
Other Funds	8.91	0.41	9.32
Total	15.17	0.77	15.94

A complete listing of specific FTE changes are listed in detail in Attachments A and B.

2014-15 & 2015-16 General Fund Revenue Overview – As shown in Table 4 total General Fund revenues for 2014-15 are estimated to increase \$1.90 million to \$94.62 million or 2.1% over the

2013-14 revised estimate. This is primarily due to increases in property tax, sales tax, and property transfer tax. Revenues for 2015-16 are estimated to increase \$3.77 million to \$98.39 million or 4.0% over the 2014-15 Proposed Budget primarily due to increases in property tax, sales tax, and property transfer tax.

Secured and unsecured property tax is estimated to increase 3.1% in 2014-15 and 3.5% in 2015-16. Other categories within property tax including replacement revenue for the state take-a-way of vehicle license fees (VLF) and AB 26 RDA property tax have fluctuations that are inconsistent with the actual growth in property tax revenue.

The basic sales tax is estimated to increase 4.2% in 2014-15 and 11.9% in 2015-16. The large increase in 2015-16 is due to the unwinding of a complex funding formula known as the “triple flip”. Triple flip replacement funding is revenue received from the State that replaces the ¼ cent of the 1% local tax the State re-directed to repay the State’s Economic Recovery Bonds issued in 2004. The Governor’s budget recommends paying off these bonds early in 2016, thereby unwinding this complex replacement funding formula. This will result in a one-time increase in annual revenue in 2015-16 as the full 1% local tax will be restored in the fourth-quarter of the fiscal year. The Measure L temporary ¼ cent additional sales tax is estimated to increase 5.8% in 2014-15 and 4.3% in 2015-16.

The amount of property transfer tax budgeted for operating expenditures in 2014-15 is \$6.40 million and in 2015-16 is \$7.11 million and is capped using a revised calculation formula. In recognition of the volatile nature of this revenue source the City Council adopted a policy to cap the amount of property transfer tax that is budgeted annually for operating expenditures, with any amount above the cap used for one-time capital projects or increasing reserves. The current policy capped the amount available for operations at the 10 year rolling average of annual receipts. The revised policy change would cap the amount budgeted for operating expenditures based on an average of the current and prior two fiscal years revenue inflated by 4.25% annually which is the 30 year historic long term average growth rate for the property transfer tax. This revision better reflects current economic trends and is intended to be a more balanced approach so resources available for the operating budget are not underestimated while at the same time smoothing the volatile year-to-year fluctuations in this revenue source as shown in Chart 1.

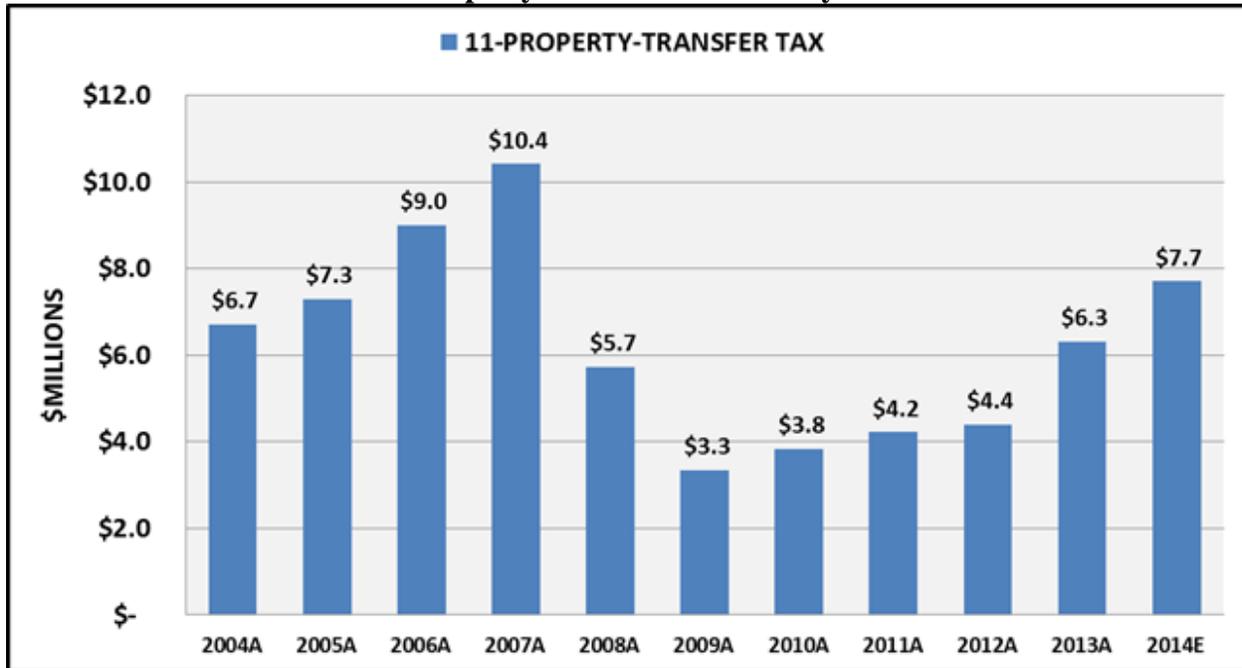
Transient occupancy tax on hotels and motels is expected to increase 4.9% in both 2014-15 and 2015-16, as well as the Measure M additional 2% rate approved by voters in 2009. Business tax is expected to increase 5.0% in both 2014-15 and 2015-16.

Planning & Zoning and Public Works fee revenue is estimated based on a conservative three-year averages in both 2014-15 and 2015-16. Library fee revenue in 2014-15 includes the e-commerce option for paying library fees online (made possible through the Peninsula Library System) and revenue from the Library’s meeting room rental service and the passport acceptance service. The Library Foundation and Friends of the Library have renewed their respective commitments to support the Library with grants that enhance services and collections. Some of the grants will be added to the Library’s budget as supplemental appropriations during the 2014-16 fiscal years when revenue is actually received. Though the State of California discontinued funding for the Public Library Fund and the Transaction Based Reimbursement program during the recent recession, funding for literacy services is expected to continue from the California Library Literacy Services program. It is also expected that the State Library will continue to offer Library Services and Technology Act (LSTA) grants that support the development of services and technology infrastructure.

Table 4
General Fund Revenue Comparison
2012-13 Actual, 2013-14 Estimated, 2014-15 Proposed, 2015-16 Projected

	2012-13	2013-14	\$	%	2014-15	\$	%	2015-16	\$	%
	Actual	Estimated	change from 2012-13 Actual	change from 2012-13 Actual	Proposed	change from 2013-14 Estimated	change from 2013-14 Estimated	Projected	change from 2014-15 Proposed	change from from 2014-15 Proposed
2014-16 Business Plan										
Taxes										
Property Tax	24,386,517	26,235,133	1,848,616	7.6%	27,039,363	804,230	3.1%	27,974,926	935,563	3.5%
Property Tax in lieu of VLF	6,901,004	7,766,158	865,154	12.5%	7,999,142	232,984	3.0%	7,999,142	-	0.0%
AB 26 RDA Property Tax	998,378	2,695,875	1,697,497	170.0%	2,200,000	(495,875)	-18.4%	1,900,000	(300,000)	-13.6%
Total Property Tax	32,285,899	36,697,166	4,411,267	13.7%	37,238,505	541,339	1.5%	37,874,068	635,563	1.7%
Excess ERAF	2,830,812	3,106,580	275,768	9.7%	1,500,000	(1,606,580)	-51.7%	1,000,000	(500,000)	-33.3%
RDA Pass-Through Payments	648,779	468,000	(180,779)	-27.9%	482,040	14,040	3.0%	495,953	13,913	2.9%
			-			-			-	
Sales Tax (Bradley Burns 75% tax rate)	12,560,141	12,923,923	363,782	2.9%	13,465,000	541,077	4.2%	15,070,000	1,605,000	11.9%
Property Tax in lieu of Sales Tax (Triple Flip)	4,125,101	3,530,533	(594,568)	-14.4%	4,398,842	868,309	24.6%	4,903,095	504,253	11.5%
Measure L Temporary 1/4 Cent Sales Tax	4,596,623	4,809,052	212,429	4.6%	5,086,277	277,225	5.8%	5,305,870	219,593	4.3%
Prop 172 Public Safety Sales Tax	232,008	265,000	32,992	14.2%	274,275	9,275	3.5%	283,875	9,600	3.5%
Triple Flip True-Up from Prior Year	347,129	175,300	(171,829)	-49.5%	180,559	5,259	3.0%	-	(180,559)	-100.0%
County Collection Fee Offset	(39,611)	(41,648)	(2,037)	5.1%	(42,897)	(1,249)	3.0%	-	42,897	-100.0%
Total Sales Tax	21,821,391	21,662,160	(159,231)	-0.7%	23,362,056	1,699,896	7.8%	25,562,840	2,200,784	9.4%
Transient Occupancy Tax (Hotel/Motel)	4,261,408	4,470,217	208,809	4.9%	4,689,258	219,041	4.9%	4,919,031	229,774	4.9%
Measure M Transient Occupancy Tax	1,065,351	1,117,553	52,202	4.9%	1,172,313	54,760	4.9%	1,229,757	57,443	4.9%
Total Transient Occupancy Tax	5,326,759	5,587,770	261,011	4.9%	5,861,571	273,801	4.9%	6,148,788	287,217	4.9%
Property Transfer Tax	6,307,133	5,400,000	(907,133)	-14.4%	6,408,416	1,008,416	18.7%	7,110,846	702,430	11.0%
Business Tax	4,949,970	5,025,729	75,759	1.5%	5,277,015	251,286	5.0%	5,540,866	263,851	5.0%
Pari-Mutual Tax	179,186	190,000	10,814	6.0%	193,800	3,800	2.0%	197,676	3,876	2.0%
Total Taxes	70,870,338	74,562,826	3,692,488	5.2%	78,341,363	3,778,538	5.1%	82,435,084	4,093,721	5.2%
Vehicle License Fee Subvention	50,389	-	(50,389)		-	-		-	-	
Fines & Forfeitures										
Fines & Forfeitures	1,830,527	1,871,000	40,473	2.2%	1,821,000	(50,000)	-2.7%	1,821,000	-	0.0%
Interest Income & Rents										
Interest Income & Rents	(80,457)	200,000	280,457	-348.6%	204,000	4,000	2.0%	208,080	4,080	2.0%
Franchise Fees										
Franchise Fees	2,858,607	2,922,228	63,621	2.2%	3,009,895	87,667	3.0%	3,100,192	90,297	3.0%
Miscellaneous Revenues										
Other Revenues	1,596,010	1,075,730	(520,280)	-32.6%	945,552	(130,178)	-12.1%	928,977	(16,575)	-1.8%
Shared Services Revenue (Fire)	140,612	244,000	103,388	73.5%	243,200	(800)	-0.3%	243,200	-	0.0%
AB 26 Residual - Gen Fd one-time portion	1,413,823	-	(1,413,823)		-	-		-	-	
Service Charges										
Planning & Zoning Fees	324,592	217,645	(106,947)	-32.9%	210,000	(7,645)	-3.5%	210,000	-	0.0%
Public Works Fees	194,936	316,213	121,277	62.2%	160,690	(155,523)	-49.2%	163,055	2,365	1.5%
Library Fees	196,945	208,048	11,103	5.6%	205,012	(3,036)	-1.5%	216,212	11,200	5.5%
Library Grants & Miscellaneous Revenue	219,277	315,020	95,743	43.7%	206,112	(108,908)	-34.6%	245,676	39,564	19.2%
Recreation Fees	3,610,117	3,475,869	(134,248)	-3.7%	3,537,099	61,230	1.8%	3,537,099	-	0.0%
Parks Fees	168,228	133,021	(35,207)	-20.9%	79,500	(53,521)	-40.2%	79,500	-	0.0%
Total Service Charges	4,714,095	4,665,816	(48,279)	-1.0%	4,398,413	(267,403)	-5.7%	4,451,542	53,129	1.2%
Interfund Charges										
Indirect Cost Plan Charges	1,554,367	1,554,443	76	0.0%	1,585,457	31,014	2.0%	1,617,166	31,709	2.0%
Property Rental from Sewer & Golf	2,041,522	2,044,326	2,804	0.1%	2,089,326	45,000	2.2%	2,089,326	-	0.0%
TOTAL REVENUES	90,469,424	92,714,949	2,245,525	2.5%	94,620,246	1,905,298	2.1%	98,390,520	3,770,274	4.0%
2014-16 Business Plan										

**Chart 1
Property Transfer Tax History**



2014-15 & 2015-16 General Fund Expenditure Overview - As shown in Table 5, General Fund expenditures for the 2014-15 Proposed Budget are \$90.31 million. This reflects an increase of \$7.80 million or 8.8% over the 2013-14 budget. Approximately \$2.5 million of this is the restoration of the department target budget savings imposed in prior years to control expenditures during the economic crisis. This was done primarily by holding positions vacant. The \$4.3 million increase in salaries and \$1.9 million increase in benefits, totaling \$6.2 million, include the costs for those positions restored by eliminating the \$2.5 million target budget savings in 2014-15. Another \$1.55 million is due to budgeting of one-time funds that have been carried over from 2012-13. Expenditures for 2015-16 Projected Budget reflect an increase of \$2.13 million, or 2.4% over the 2014-15 Proposed Budget.

**Table 5
General Fund Expenditures by Category**

GENERAL FUND EXPENDITURES					
	2013-14	2014-15		2015-16	
	Budget	Proposed	Difference	Projected	Difference
Salaries	\$ 45,391,438	\$ 49,749,297	\$ 4,357,859	\$50,812,440	\$ 1,063,143
Benefits	15,877,197	17,835,235	1,958,038	19,170,900	1,335,665
Operating	19,033,383	20,542,524	1,509,141	20,283,334	(259,190)
Capital Outlay	2,200,748	2,184,009	(16,739)	2,184,009	0
TOTALS:	\$ 82,502,766	\$ 90,311,065	\$ 7,808,299	\$92,450,683	\$ 2,139,618

2014-15 Salaries include \$2.5 million restored target budget savings not included in 2013-14. After accounting for the restoration of the \$2.5 million target budget savings being added back into departmental budgets, the increase in salary and benefits costs attributable to negotiated changes in

labor contracts and health and retirement benefit rate increases is \$3.75 million. \$3.35 million of this increase in full-time merit system positions is shown in Table 6 with a breakdown between salary, pension, health and other benefits, with the remaining \$398,693 related to increases in per diem employee, overtime, and vacation buy back costs.

**Table 6
General Fund Salary and Benefit Increases
2014-15 Increase in Merit Position Salaries
& Benefits**

Salaries & Premium Pay	639,678
Safety Employee PERS	1,422,556
Miscellaneous Employee PERS	284,529
Health	778,757
Other Benefits	226,522
Total	3,352,042

Pension Benefit Costs - During the most recent recession CalPERS followed a policy that kept employer rates artificially low. The CalPERS Board of Administration recently adopted new amortization and smoothing methods along with a change in life expectancy designed to return all pension plans to a fully funded status over the next 30 years. The new actuarial policies will require substantial increases in employer rates that will be phased in over a five-year period beginning in 2015-16. The expected result of these new actuarial policies will be that year-to-year changes in rates will be somewhat higher in most years, but lower in years with extreme market events. The new policies will result in fully funded status of plans being achieved faster with all gains and losses fully amortized and paid for 30 years after they occur. Table 7 shows the employer rate projection over this five-year period and projects rates to increase 44.5% for the safety employee plan and 70.1% for the miscellaneous employee plan. General Fund employer pension cost increases over this five year period are projected to be as much as \$11 million. However, this projection could be modified by changes to existing employer rate cost sharing with employees, further actuarial changes and better or worse than expected CalPERS investment returns.

**Table 7
Employer Pension Rate Projections
Employer Rates as Percent of Salary**

	SAFETY		MISCELLANEOUS		
	Employer PERS Rate Projection	% increase from 2013-14	Employer PERS Rate Projection	% increase from 2013-14	
2013-14 Actual	37.5%		2013-14 Actual	14.7%	
2014-15 Actual	41.4%	10.4%	2014-15 Actual	16.5%	12.2%
2015-16	43.3%	15.5%	2015-16	17.8%	21.1%
2016-17	46.8%	24.8%	2016-17	19.0%	29.3%
2017-18	49.5%	32.0%	2017-18	21.7%	47.6%
2018-19	51.8%	38.1%	2018-19	23.4%	59.2%
2019-20	54.2%	44.5%	2019-20	25.0%	70.1%

Source: Bartel Associates

General Fund Transfers Overview - As shown in Table 8, General Fund Transfers are \$7.20 million in 2014-15 and \$5.05 million in 2015-16. The capital transfers include \$4.0 million to the Capital Improvement Program (CIP) for street reconstruction and rehabilitation, \$500,000 for sidewalk repair, \$410,000 for major building component replacements, \$15,000 for playground equipment replacements, and \$10,000 for bike/pedestrian path improvements. The \$1.3 million one-time funding to CIP is the portion of the one-time funds programmed for capital as shown in Table 10. The transfer of \$100,000 for the storm water program will go toward dredging and storm water control.

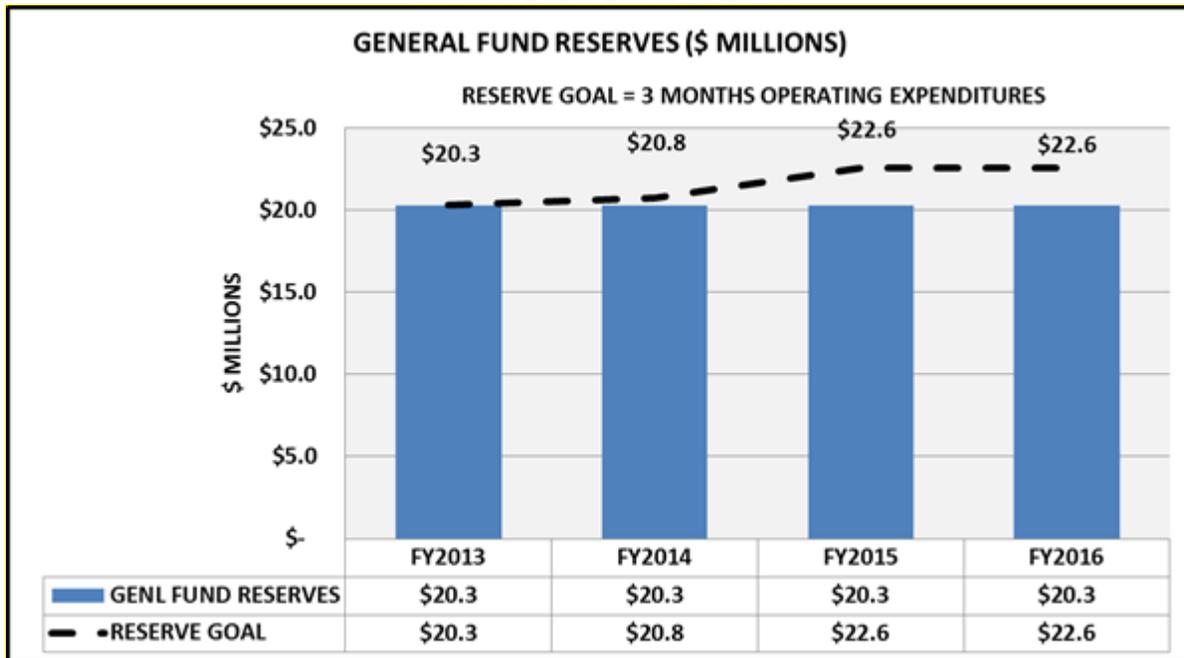
Operating transfers include \$124,625 transfer to the Fire Protection Fund is intended to cover the expenses for general public education, arson investigations and city-wide programs not eligible to be paid with fees and \$750,000 to the General Liability Fund to maintain the fund balance at current policy levels.

**Table 8
General Fund Transfers Out**

	A Estimated Actual 2013-14	B Proposed Budget 2014-15	C Projected Budget 2015-16
Capital Transfers			
Citywide Street Reconstruction/Rehabilitation	4,000,000	4,000,000	4,000,000
Citywide Sidewalk Repair Program	500,000	500,000	500,000
Building Component Replacement Program	410,000	410,000	410,000
Citywide Playground Equipment Replacement	15,000	15,000	15,000
Citywide Bicycle/Pedestrian Improvements	10,000	10,000	10,000
One-Time Funding to CIP	728,660	1,300,000	TBD
Storm Water Program		100,000	
Total Capital Transfers			
	5,663,660	6,335,000	4,935,000
Operating Transfers			
Fire Protection Fund	102,110	124,625	124,625
General Liability Fund	1,150,000	750,000	-
Total Operating Transfers			
	1,252,110	874,625	124,625
Total Transfers			
	6,915,770	7,209,625	5,059,625

General Fund Emergency & Service Stability Reserve Overview - The policy goal of a reserve equal to three months operating expenditures is a best practice recommended by the Government Finance Officers Association (GFOA) and was adopted by City Council in 2010. As shown in Chart 2, the General Fund policy goal of \$20.3 million was achieved in 2012-13. To maintain this policy goal for 2013-14 would require a reserve equal to \$20.8 million and for 2014-15 the goal would be \$22.6 million adjusted for the estimated increase in expenditures. Recommendations to adjust reserve levels will be presented at the end of each fiscal year when the availability of any excess funds is known.

**Chart 2
General Fund Reserve Level**



Restoration of Target Budget Savings to Departmental Budgets

For the past four years between 2010 and 2014 the budget has included budgeted savings of approximately \$2.5 million distributed across all departments to aid in reducing expenditures during the recession. This practice is discontinued beginning in 2014-15. Table 9 provides the detail of how \$2.37 million is planned based on this funding is being restored to departmental budgets.

**Table 9
Restoration of Target Budget Savings by Department**

2014-15 Additions to Operating Budget from Restoration of Target Budget Savings	
City Attorney's Department	
Additional Contract Legal Services	30,000
City Manager	
Performance Management and Training Contract	75,000
City Clerk's Department	
Partial Funding for Management Analyst	20,000
Finance Department	
Position Changes to Restructure Budget and Payroll Functions	190,732
Reallocate Accounting Assistant II to Payroll Supervisor	
Addition of Payroll Technician	
Elimination of Payroll Administrator	
Reallocate Accounting Asssistant II to Finance Specialist II	
Reallocate Finance Specialist II to Sr Mgmt Analyst	
Reallocate Accounting Assistant II Limited Term to Permanent Merit	
Fire Department	
Restore Administrative Aid, Equipment and Other Operating Needs	280,000
Human Resources Department	
Recruitment Assistance, Citywide Professional Development Funding, HR System Upgrade	38,000
Reallocate HR Technician to Sr. HR Analyst	24,541
Sub Total	62,541
Information Technology	
Fill Vacant Systems Analyst Position, Tools to Improve Server & Email Management	280,000
Library Department	
Fill Remaining Vacant Positions as Part of Library Reorganization	220,000
Parks & Recreation Department	
Funding to Return to 7 Year Street Tree Trimming Cycle	100,000
Fill Vacant Landscape Laborer positions	150,000
Recreation Division Reorganization	270,000
Sub Total	520,000
Police Department	
Fill 2 Vacant Police Officer Positions	274,759
Convert Limited Term Lieutenant for Crime Unit to Merit	226,036
Reclassify Deputy Chief Position to Police Captain	(29,390)
Handheld Ticket Writers & Printers	50,000
Peninsula Humane Society Increased Annual Fees	80,000
Sub Total	601,405
Public Works Department	
Transfer to CIP for Storm Water Program	100,000
Total	2,379,678

Recommended Use of One-Time Funds from Prior Year 2012-13

At the end of the 2012-13 fiscal year the General Fund posted a surplus and the portion of this surplus was considered to be one-time funds and the amount of \$1.75 million was reserved to be included in the 2014-15 budget for one-time purposes. These one-time recommended expenditures were reviewed with City Council at their annual goals session in February 2014. Below shown in Table 10 is the list of the recommended uses for these one-time funds totaling \$1.55 million which are included in the 2014-15 Budget.

**Table 10
Use of One-Time Funds Reserved in 2012-13 and Budgeted in 2014-15**

	One-Time Increase to Operating Budget	One-time Transfer to Capital Budget	Total
Community Development Department			
Policy & Procedures Manual	75,000		75,000
Performance Leadership Consulting & Training	25,000		25,000
12 Desktop Computers	18,000		18,000
5 Laptop Computers	12,500		12,500
1 Vehicle	30,000		30,000
2 Printers	4,000		4,000
7 Cellphones	700		700
CDD Counter and Office Remodel		125,000	125,000
Sub Total	165,200	125,000	290,200
Fire Department			
Emergency Equipment Replacement	17,364		17,364
Replacement of Wildland Gear	32,000		32,000
Body Armor - All Personnel	43,000		43,000
Sub Total	92,364	-	92,364
Parks & Recreation Department			
Catch Up Tree Trimming		100,000	100,000
Fence Around Bayside-Joinville Field		10,000	10,000
Access System for Community Centers and Pools		100,000	100,000
Sub Total	-	210,000	210,000
Public Works			
El Camino Real Storm Culvert		120,000	120,000
Parkside Aquatic Park Outfall Rehabilitation		35,000	35,000
Ryder Park Levee Repair		160,000	160,000
High Voltage Street Light Conversion (Phase I)		650,000	650,000
Sub Total	-	965,000	965,000
Total	257,564	1,300,000	1,557,564

General Fund – Departmental Recommendations & Significant Changes

A summary of all General Fund changes can be found in Attachment A.

City Manager's Department - To place greater organizational focus on key Council and citywide initiatives, the City Manager's Office will be restructured as part of the 2014-16 Business Plan. The City Manager's Office budget is proposed to increase from \$805,000 in 2013-14 to \$3.8 million in 2014-15 and from 4.0 FTEs in 2013-14 to 8.5 FTEs in 2014-15. This increase is primarily due to the reallocation of existing programs and staffing from other departments into the City Manager's Office including economic development, sustainability, citywide volunteering, and downtown parking. Furthermore, much of this cost increase is due to the transfer in oversight of the Downtown Parking and Security Fund, which is a self-supporting special revenue fund covering downtown parking, maintenance, and security expenses. With this new organizational structure, the City Manager's Office will be better positioned to coordinate organizational resources to address key challenges and opportunities facing the City.

City Attorney's Department - The significant change included in the 2014-16 Business Plan relates to the personnel costs associated with adding a full-time attorney position to the Legal Counsel Program. The Attorney's Office staffing level has remained unchanged since the 1980's. At the same time, changes in the size of the city's population and workforce have resulted in increased demand for City Attorney services. Demand has also been significantly increased as a result of the increased complexity of the legal environment in which the City operates, and the transformation in information technology.

City Clerk's Department - The 2014-16 business plan for the City Clerk's office includes the addition of a two-year limited duration management analyst for 30 hours per week to assist with records management and special projects; a slight increase in professional development for staff training; the full application of personnel cost distribution and the reallocation of some expenses to more appropriate program categories. Note that regular City Council elections are held in odd numbered years with the expenses paid in the next calendar year, so the 2016 budget reflects an increase of \$120,000 for the November 2015 election.

Finance Department – The 2014-16 business plan for the Finance Department provides additional resources in the payroll, treasury and budget functions. The plan includes a proposed reorganization of staff assigned to payroll functions due to the retirement of the current Payroll Administrator, conversion to merit of an existing limited-term position to free up resources for the City's budgeting and long-range financial planning functions, and additional per diem hours to augment staffing in the Treasury Division. Staffing previously performing Treasury functions were realigned and trained to address the need for dedicated resources for the budget planning and analysis function with the capability to continuously forecast ahead and flow into timely quarterly financial monitoring immediately following budget adoption.

The Finance Department budget request for 2014-15 and 2015-16 exceeds the departmental target by approximately \$260,000 due to a change in accounting treatment for two items, both which are offset by corresponding increases in General Fund revenues. A consultant to locate businesses not currently in compliance with business tax and sales tax payment requirements performs sales and business tax auditing services. A percentage of the new revenues recovered by the consultant is withheld their compensation. The City's current accounting treatment is to record this compensation as an offset to the respective revenue account, netting the expenses against revenue. The change will instead record such entries as expenditures. The estimate is that such transactions total \$180,000 for

each budget year including \$50,000 for business taxes, \$90,000 for the 1% local sales tax, and \$40,000 for the temporary ¼ cent Measure L district tax. A corresponding increase in each of these revenue accounts is also reflected, totaling \$180,000 for each budget year. The accounting change also applies to the City's external investment advisor whose fees are currently netted against the General Fund's interest income revenue account. This cost has also been changed to be reflected as an expenditure with a corresponding increase in the interest income revenue account.

Human Resources Department - The 2014-2016 Business Plan expects activity in Recruitment, Selection, Classification and Compensation functional areas to maintain a pace similar to what the department experienced in fiscal year 2013-2014. This uptick in activity is attributed to the anticipated acceleration of Baby Boomer retirements, coupled with the strategic expansion of some operational department services. Human Resources has successfully shared select recruitment opportunities with other agencies to reduce costs and will continue to do so whenever feasible.

The Employee Services area is reallocating a Human Resources Technician position to a Senior Human Resources Analyst to focus on the increased complexity and compliance demanded by increasingly stringent regulation of benefits programs. This division also oversees our participation in a Regional Training Consortium, a partnership of 14 Peninsula cities, the County of San Mateo, Central County Fire and SamTrans to provide an expanded array of training opportunities at a lower cost, and an automated record-keeping system. The cost of training per class has decreased 40% since becoming a member of the Training Consortium.

Information Technology – The 2014-16 budget cycle reflects a further honing of IT operations and processes to ensure financial and human resources are maximized. The 2014-15 budget includes the transfer of a network technician to the Library, reallocation of an Administrative Assistant position to a 1.0 FTE Systems Analyst, and the addition of a limited-term 0.50 FTE Database Specialist to be shared with Community Development. For the 2014-16 Business Plan, the department will continue to support both Citywide and department initiatives to include:

- Further advancement of Groupware such as Office 365 and SharePoint
- Promote Enterprise Content Management (ECM) and Business Process Re-engineering (BPR) to streamline administrative processes, and improve information management using SharePoint and other tools.
- Exploration of citizen relationship management and staff engagement tools
- Maintenance and support of IT infrastructure networks and servers
- Support of existing applications and new technology implementations
- Reduction and integration of applications and systems that serve similar business needs

Police Department – The 2014-16 Business Plan has a number of staffing changes that include filling 2 FTE Police Officer positions that were held vacant in prior years to achieve the target budget savings, reclassifying the 1.0 FTE Deputy Chief to a Police Captain, converting a 1.0 FTE limited-term Lieutenant to a merit position to oversee the Crime Reduction Unit, converting an 1.0 FTE Police Officer position to Sergeant as the Executive Director of the Police Activities League. A pending agreement with the San Mateo Unified School District and the San Mateo Foster City School District would pay for an additional two School Resource Officers for a three-year period if approved. Other increases include funding for replacement of handheld ticket writers and printers, and a 2% increase in the animal control contract with the Peninsula Humane Society.

Community Development Department - In August 2013, the City Council initiated a management audit of the Community Development Department (CDD) to evaluate and identify areas of improvement within the department. The audit examined current practices and workloads and made recommendations for changes in policies and procedures, department structure, staffing levels, and the physical configuration of the department including the public counter. These recommendations were presented to the City Council on February 18, 2014 with the implementation plan to carry them out approved by the Council on April 7, 2014. These recommendations are reflected in CDD's budget submittal for the 2014-16 Business Plan, which includes a request for both a one-time allocation of funds and an increase in ongoing funding in order to implement the audit recommendations.

The one-time General Fund funding allocation of \$290,200 will provide for equipment and vehicles for new positions along with consulting services and renovation of the CDD public counter and office areas. The ongoing funding will provide nine new line staff and managerial positions related to the audit and the overall increase in development activity and related workload. The majority of these new positions will be funded out of the Construction Services and Advanced Planning Special Revenue Funds with approximately \$358,282 in additional General Fund resources proposed for additional CDD administrative positions and Code Enforcement services.

Fire Department - San Mateo has contracted for shared Fire Chief services with the City of Foster City since July 2010. San Mateo and Foster City expanded the shared services model in 2011 to include a shared Deputy Chief and Battalion Chiefs. In January 2013 an 18 month contract for service was executed between the cities of San Mateo and Foster City and the City of Belmont for fire administration and 24 hour Battalion coverage. For 2014-15 the shared service agreements are in place and set on an auto renewal basis, which is a result of the success of our partnership with the three cities. Future shared services may include Fire Marshal, Deputy Fire Marshal, Emergency Preparedness Coordinator, Fire Inspectors and operational resources. Shared Services savings is estimated to be \$554,559 annually which is the net revenue from Foster City for 33% of the Fire Chief, Deputy Fire Chief and shared Battalion Chiefs, along with savings from Fire administration staff relocation to Foster City and contract for service with the City of Belmont.

Library Department - In the 2014-16 Business Plan the Library will be positioned to address an operational priority to increase access to the Library. With the discontinuance of the budget savings targets that have been in place over the past four budget years, the Library will be able to fill positions that were left vacant to meet the Library's annual 4% savings target (\$220,000). In addition, the Library will restructure the per diem personnel budget to add more capacity in select areas of service. The enhanced level of funding support provided by the Library Foundation will also contribute to this effort as part of the public-private partnership that has been cultivated with the Library Foundation. With the added capacity, extending library hours will come to fruition in 2014-15.

Parks & Recreation Department – In the proposed 2014-16 Business Plan, the Parks and Recreation Department presents a budget with the resources needed to best sustain current service levels. For the Recreation/Community Services Division, the primary goal this budget cycle is to identify a more permanent organizational structure for the Division. The Division re-organized and will fill new positions after many years of maintaining vacancies. In addition, the Division proposes additional resources to assist in funding the Central Park Music Series and to restore per diem positions to support the Senior Center operations and allow additional programming opportunities.

Within Landscape Resources, the primary goal was to allocate enough budget resources to provide adequate maintenance and sustainable services. Arboriculture has been saving money by not trimming as many street and park trees as recommended. The Division will reinstate its tree trimming funds to return to a recommended seven-year tree trimming cycle. In addition, the Division will receive an additional \$100,000 in 2014-15 and 2015-16 to complete one-time tree trimming to catch up on work not completed during the budget saving years. Horticulture has recommended a full-time Landscape Maintenance Worker to support the Japanese Garden. Over the last few years, the Garden has been maintained by per diems with the elimination of the Japanese Garden Curator position, but the staffing configuration did not dedicate sufficient maintenance resources to the Garden. In addition, the Horticulture Division has eliminated 2 FTE Landscape Maintenance Workers (held vacant since retirements) and replaced them with 2 FTE Landscape Laborers in accordance with the 2009 Alternative Service Delivery recommendations.

The Department has also requested a new position, Administrative Technician, within the Administrative Services section. This department-wide resource is intended to support the various computer software programs in Parks and Recreation as well as provide contract development/administration and other project support, much of which went without sufficient support following the elimination of the Management Analyst position.

Public Works Department – The proposed 2014-16 Business Plan aims to continue the objectives of the reorganization approved by the City Council and to meet the expectations of San Mateo citizens for quality service delivery. This reorganization split the Department into two divisions, Engineering and Environmental Services.

The Engineering Division includes general Engineering Services, including capital construction planning for the Sewer Fund, infrastructure construction, operations and maintenance projects for streets (including traffic signal system, street lighting and sidewalk repair) and storm drainage capital improvements. The Engineering Division also manages the issues related to the Federal Emergency Management Agency (FEMA) mapping requirements and the levees. The Division will continue to work with the Community Development Department for the review of private development; building permit and encroachment permit applications. In addition, the reorganization assumes oversight of City Fleet Services, previously overseen by the Finance Department. The Engineering Division proposed budget includes one newly created position, the Engineering Manager. Realignment of Streets and Traffic Maintenance to the Environmental Services Division allows for the capacity for oversight of the smaller Facilities section to be included under the Engineering Division and to be managed by the Deputy Director/City Engineer. The proposed budget includes having the Engineering Manager oversee three Senior Engineers charged with responsibility of Transportation and Private Development, Maintenance Engineering and Capital Projects Delivery. The budget includes Facilities and Fleet Manager and Civic Facilities Project Manager. The Downtown Coordinator and Parking administration duties are proposed in this budget to be transferred to the City Manager's Office.

Beginning in 2014-15 an amount of \$100,000 is being redirected from operating expenditures to a transfer to the CIP for dredging and storm water control.

Special Revenue Funds – Departmental Recommendations & Significant Changes

A summary of all Special Revenue Fund changes can be found in Attachment B.

Parking Fund – In conjunction with approval of the downtown parking management plan, the City Council also provided policy direction to staff to begin the initial planning for a new downtown parking structure given expected future parking demand. Though the parking plan will help the City better manage its existing parking supply, there is increasingly limited parking capacity at peak times and the pace of downtown development continues to increase. As a result, the City may need more parking spaces in the next 3-5 years compared with the 400 spaces needed in the next 10 years estimated in the parking management plan. With this policy direction, staff will begin planning in 2014-15 for a new parking facility which will include updating estimates of new spaces needed, confirming a possible location(s), identifying and determining funding options, and beginning initial design work. As an initial step, the 2014-16 Business Plan includes a transfer of approximately \$3.6 million from the fund balance that has accumulated through parking in-lieu fees and operating surpluses to the Downtown Parking Improvements capital project. This capital funding is intended to provide one source of funding for a new parking structure with other potential sources including an assessment district, increased parking in-lieu fees, and/or a public/private partnership.

Construction Services Fund - The Construction Services Fund accounts for building permit revenue and expenditures for activities relating to the review of private development projects to achieve high quality and long-term economic growth in the City. The Building Division staff members also ensure that new construction meets established standards for health and safety, accessibility and energy efficiency, as well provide public education to enhance the safety of existing buildings and better awareness of building codes.

Since the depth of the recent recession when housing and commercial development stalled, the Construction Services Fund's financial performance has exceeded expectations. Building permits revenue has increased 226%, from \$2.35 million in 2009-10 to \$7.66 million in 2012-13. Increased building permit activity requires additional staffing resources to provide quality service to San Mateo's development and building community. As a result the City has committed additional staff and is implementing more streamlined information technology tools. During the current fiscal year, 9 FTE's were added and \$1.2M was approved for the implementation of a new building permits system. Final implementation stages of the new permitting system will continue into the future budget year, with a "go live" tentatively planned for summer 2015.

For the 2014-2016 Business Plan, the Construction Services Fund proposes an increase of its current staffing by adding 3 Limited-Term FTE's with the addition of Assistant Planner, Development Review Technician and Building Inspector beginning in 2014-15. Although this proposed staffing augmentation contributes to a 61% increase in the Fund's total expenditures compared to the current year estimate, this commitment will provide the quality service delivery expected by San Mateo's building and development community. Proposed expenditures for 2015-16 will increase a modest 3% compared to the 2014-15 budget request. Revenues for the budget years have been conservatively estimated based on an average of the past three years.

The Construction Services Fund expects to end the current 2013-14 fiscal year with a total fund balance of \$11.38 million, substantially greater than its recent lowest level in 2009-10 of \$541,000. Development activity is highly correlated to economic and demographic indicators, such as city population, public school enrollment, the consumer price index, per capita income, and the housing price index. Although an \$11.38 million fund balance is a significant level of resources, the City is

committed to maintaining strong fiscal policies in order to achieve consistent building review services during good and bad economic times. Experience has taught the City that during downtimes, the building review process workload does not reduce by the same level as the decline in revenues because many development projects take many months or years to be completed. Appropriate staffing levels are still required during downtimes to meet the needs of projects in the "pipeline". In order to avoid interruption or diminished services during economic downturns, it is recommended that the reserve policy goal be revised from an amount equal to 3 months of budgeted operating expenditures to an amount equal to 12 months of expenditures. The revised policy will provide continuity in services and sufficient time to adjust operations during economic downturns. The estimated fund balance for 2014-2015 represents an amount equal to 26 months of expenditures, which exceeds the revised reserve policy. This higher level of reserves will allow the cushion required to add both one-time and ongoing resources to meet Council goals with sufficient time to monitor the balance between revenues and expenditures with the aim of always maintaining minimum reserves equal to 12 months operating expenses.

Advance Planning Fund – The Advanced Planning Fund accounts for planning and zoning fees collected through building permits and expenditures for activities relating to preparing long-term plans and policy documents for the physical and economic development of the City, including the general plan update.

Similar to the Construction Services Fund, the Advanced Planning Fund's financial performance has exceeded expectations since the recent recession. Planning and zoning revenue increased 187%, from \$262,000 in 2009-10 to \$751,000 in 2012-13. Increased building permit activity requires additional planning staffing resources to provide quality service to San Mateo's development and building community. For the 2014-2016 Business Plan, the Advanced Planning Fund proposes the addition of 1.0 FTE Associate Planner beginning in 2014-15. Although this proposed staffing augmentation contributed to a 73% increase in the Fund's total proposed expenditures of \$486,000 compared to the current year estimate of \$281,000, this commitment will provide the quality service delivery expected by San Mateo's building and development community. Proposed expenditures for 2015-16 will increase a modest 1% compared to the 2014-15 budget request. Revenue is estimated based on a conservative three-year average.

In the future budget years, the Advanced Planning staff will be monitoring region-wide implementation of SB 375 and development of the Sustainable Communities Strategy by the Association of Bay Area Governments and Metropolitan Transportation Commission, completing the update of the Housing Element, completing Zoning Code Amendments pertaining to legal nonconforming uses, 24 hour uses, convenience markets and fast food restaurants, and providing support for the Downtown Parking Management Plan and North B Street Improvement Initiative, the Public Works Department's Sustainable Streets initiative, and the Parks and Recreation Department's Central Park Master Plan.

This Advance Planning Fund expects to end the current fiscal year with a total fund balance of \$1.2 million, substantially greater than its recent lowest level in 2009-10 of \$136,000. In order to provide service continuity and sufficient time to adjust operations during economic downturns, the 2014-2016 Business Plan meets revised policy's goal for a reserve equal to 12 months of operating expenditures. The estimated fund balance for 2014-2015 represents an amount equal to 28 months of expenditures, which exceeds the revised reserve policy. This higher level of reserves will allow the cushion required to add both one-time and ongoing resources to meet Council goals with sufficient time to monitor the balance between revenues and expenditures with the aim of always maintaining minimum reserves equal to 12 months operating expenses.

Enterprise Funds– Departmental Recommendations & Significant Changes

A summary of all Enterprise Fund changes can be found in Attachment B.

Sewer Enterprise Fund – The recent reorganization of the Public Works Department has allowed for additional resources to be dedicated to the management of the City’s Sewer Fund. The Sewer Enterprise consists of the sewer collection systems and the Wastewater Treatment Plant (WWTP) and disposal facilities serving the residents and businesses of the City of San Mateo, all of Foster City and portions of the neighboring communities (sub regional partners) of Hillsborough, Belmont, the Crystal Springs County Sanitation District (“CSCSD”) and certain unincorporated areas of the County. The sewer enterprise currently serves approximately 27,532 customer accounts in the City alone, and approximately 10,291 customer accounts of the sub regional partners utilizing the WWTP. The current population in the utility’s service area is approximately 160,000 residents.

The San Francisco Bay Regional Water Quality Control Board (“Regional Board”) has mandated the City to invest significant staffing and capital funding resources in order to continue to receive its permits and regulatory orders that authorize the ownership and operation of a sanitary sewer collection system and WWTP, and regulate discharges of wastewater from its facilities. Without these permits, the City’s Sewer utility could not continue to operate. Due to past incidents of sanitary sewer overflows (SSO’s) into area creeks and the Bay, the Regional Board has mandated the City to implement measures to reduce and prevent SSO’s thru a Cease and Desist Order (CDO) issued by the Regional Board to the City in 2009. To meet these mandates, not only is the City developing extensive capital improvement plans requiring significant funding but the Sewer Fund is also having to invest increased costs in its operating budget for additional staff and consultant engineering services to assist in this planning effort. The City is currently in the process of consolidating the separate capital improvement programs for the collection system and the WWTP into a single overall plan. Accordingly, the projects contained in the current capital improvement plan, their cost, timing and other factors are subject to further change.

The Sewer Enterprise Fund proposed operating expenditures, excluding capital and debt, for 2014-15 total \$19.8 million, which is a \$2.97 million or 17.7% increase compared with the estimate for 2013-14. Of the total increase \$1.6 million is for additional salaries and benefit costs to assist in managing the Sewer’s operations and to oversee the engineering and planning of the significant sewer capital improvement plan. Proposed total operating expenditures for 2015-16 drop slightly to \$19.7 million. Sewer fees and charges are budgeted at \$35.7 million in 2014-15 based on the proposed 8% rate increase.

Major sewer CIP financing initiatives that have been in the works for the past several years are expected to culminate in 2014-15. These include: 1) State Revolving Fund loan funding in the amount of \$7.5 million for phase I of the South Trunk System Upgrade and \$4.3 million for the 25th Avenue Sewer Relief project; and 2) issuance of the \$35 million in 2014 Sewer Bonds to finance \$18 million in capital improvements and approximately \$17 million to refund the Series 2003 bonds at an estimated savings of \$2.4 million over the remaining life of the bonds. The 2014-15 and 2015-16 Sewer CIP budgets also contain funding provisions from additional future bonds to be issued and state revolving fund loans to be secured as projects are completed. These budgets are expected to be revised significantly after the final sewer capital improvement master plan is approved by the Council.

Golf Operations Enterprise Fund – Since 1933, the Poplar Creek Golf Course has provided an affordable and accessible golf experience for local residents and has been operated by the City since the 1950's. The golf course has a reputation as a well-managed and maintained facility and is one of the busiest golf courses in Northern California based on its high utilization rate of available tee times. However, like other municipal golf courses around the county, Poplar Creek has seen significant declines in the number of rounds played and revenue since its recent peak in 2007. Total revenues in 2012-13 of \$2.45 million were 12.6% below total revenues of \$2.8 million in 2006-07, and this decline has had an impact on the Golf Fund's financial viability. In 2009, numerous operational changes were made at the golf course to reduce expenses including greater use of per-diem staff, volunteers, and restructured labor concession agreements. While these changes kept maintenance and operational costs relatively flat, increases continued for other cost areas such as debt service costs, indirect costs for General Fund provided administrative services, and land rental payment. These cost increases, coupled with declining revenues, produced a structural operating and capital deficit.

In April 2012, the City Council was presented with an assessment of the golf course's financial condition and along with actions to ensure the golf course's long-term viability. As a result, the golf course implemented a number of strategies to increase revenue including restructuring green fees and building a practice range which is expected to generate \$225,000 to \$350,000 annually in new revenues beginning in 2014-15. Funding to construct the practice range costing approximately \$600,000, \$500,000 of which has been provided by Park In-Lieu Fees generated from development projects. In addition, beginning in 2012-13, the basis of the land rental payment to the General Fund was adjusted to be based on 10% of annual course revenues, and revisions to the calculation assumptions of the citywide indirect cost allocation plan resulted in a reduction of those charges paid by Golf. These two actions produced approximately \$270,000 in annual savings to assist towards the goal of balancing the Golf Fund budget. Revenues from the practice range should begin to be realized in 2014-15. As a result of the additional revenue and cost reductions, it is the goal for the Golf Fund over time to become more financially sustainable and have the needed capacity to fund capital improvements as well as build operating reserves.

Although the additional revenue and cost reductions provide an improved financial forecast for Golf's future, the Fund has been in a negative cash position for many years. The negative cash position is a product of consecutive years where the Fund's expenditures exceeded its revenues. Consecutive negative cash balances pose several accounting considerations relative to the nature of the liability, whether it is short-term or long-term. To address this question, recommendations to cure the negative cash balance of the Golf Fund will be brought back for Council consideration during the mid-year budget review.

Internal Service Funds

Workers' Compensation & General Liability Funds - The liability for workers' compensation has been estimated at \$9.4 million for 2014-15 and General Liability at \$1.2 million for 2014-15. The City is self-insured per occurrence up to \$500,000 for General Liability and \$1 million for Workers' Compensation insurance. Annual funding guidelines for Workers' Compensation and General Liability for the City's risk exposure within those limits are established by an actuarial valuation. It has been the City's policy to establish reserves budget annual funding at the marginally acceptable 70% level of estimated liabilities. To accomplish this funding level an additional General Fund transfer of \$400,000 for General Liability in 2014-15 has been included in the 2014-16 Business Plan.

Vehicle & Equipment Replacement Fund - The City currently funds replacement reserves for vehicles, computers, radios, major equipment, and furniture and fixtures using a “sinking fund” approach, which sets aside funds each year through the operating budget toward the anticipated replacement of that equipment. The budgets for 2014-16 include a \$2.4 million contribution each year for replacement of inventory valued at \$25.8 million. However, there are additional unfunded items in the major equipment category, valued at \$6.4 million that are not included in the \$2.4 million annual contribution. To fully fund the additional items in the major equipment category would require an additional \$640,000 annually from the General Fund operating budget. During the 2014-15 fiscal year a more thorough analysis of replacement needs will be conducted.

Capital Projects Fund Budgets for FY 2014-15 and FY 2015-16

A summary of the Capital Improvement Program (CIP) can be found in Attachment C. A more detailed analysis is also provided in the CIP section.

The Capital Projects Fund contains the City’s major one-time and on-going infrastructure improvement needs. Such needs include sewer system reconstruction, street and bridge projects, park construction and improvements, sidewalk and bikeway projects, facility improvements, and storm drainage projects. Unlike other funds, appropriations to CIP do not lapse but rather continue throughout the life of the project.

Table 11
Capital Projects Fund Budgets

	2013-14	% Total	2014-15	% Total	2015-16	% Total
Sewer	24,581,721	57%	32,401,158	58%	54,605,000	85%
Streets	7,025,790	16%	6,358,305	11%	7,235,878	11%
Storm Drains	569,157	1%	960,000	2%	545,000	1%
Parks	2,995,766	7%	3,347,017	6%	335,000	1%
Bikeway/ Pedestrian	3,261,700	7%	2,601,083	5%	1,035,000	2%
Bridges	930,000	2%	4,430,000	8%	50,000	0%
Street Lights/ Utility Undergrounding	229,267	1%	1,065,555	2%	-	0%
Traffic	1,500,000	3%	150,000	0%	150,000	0%
Buildings (a)	1,204,500	3%	4,186,181	7%	410,000	1%
Other City Projects (a)	1,205,596	3%	575,693	1%	150,000	0%
Total Capital Projects	43,503,499	100%	56,074,992	100%	64,515,878	100%

(a) These categories project funding in 2014-15 and 2015-16 do not include sewer-related (other) capital projects, which are included in the Sewer category above.

Table 11 lists the City’s capital projects budget by physical location for the current fiscal year and for 2014-15 and 2015-16. Total planned capital project funding for 2014-15 is \$56.07 million and for 2015-16 is \$64.51 million. Of the total capital expenditures budgeted for 2014-2016, the majority are for sewer system improvements, with \$32.4 million (58%) in 2014-15 and \$54.6 million (85%) in 2015-16. As previously discussed, this level of sewer capital funding is a result of the Sewer Enterprise’s continuing efforts to meet the San Francisco Bay Regional Water Quality Control Board mandate of the City to implement measures to reduce and prevent SSO’s thru a Cease and Desist Order issued by the Regional Board to the City in 2009. The City is currently in the process of consolidating the separate capital improvement programs for the collection system and the WWTP

into a single overall plan. Accordingly, the projects contained in the current capital improvement plan, their cost, timing and other factors are subject to further change.

Attachment A: General Fund Changes

Attachment B: Special Funds Changes

Attachment C: Capital Improvement Program Project Summary

2014-2015 GENERAL FUND OPERATING BUDGET CHANGES *					
	Description	Increase/ (Reduction)	Merit FTE Change	Part Time FTE Change	Total
A. City Council	• Shift operating expense for printing and mailing of annual reports to City Manager's Office	\$ (10,000)			
	• Decrease operating expense that was budgeted one time for Toyonaka sister city anniversary celebration	\$ (25,000)			
	Sub-total:	\$ (35,000)			0.00
B. City Manager	• Shift operating expense for PEN TV participation from DoIT	\$ 29,000			
	• Shift operating expense for printing and mailing of annual reports from City Council	\$ 10,000			
	• Shift operating expenses for the Econ Dev/Bus Ast Program from Community Development	\$ 816,000			
	• Decrease operating expenses for the Econ Dev/Bus Ast Program	\$ (316,000)			
	• Transfer operating expenses for Volunteer Program from HR	\$ 4,000			
	• Add operating expenses for Marketing/Communications Program	\$ 100,000			
	• Add operating expenses for Sustainability Program	\$ 50,000			
	• Addition of .50 FTE Office Assistant II	\$ 39,000	0.50		
	• Shift .10 FTE Executive Secretary to City Manager to Downtown Parking & Security Fund	\$ (13,000)	(0.10)		
	• Shift .10 FTE Assistant City Manager to Downtown Parking & Security Fund	\$ (24,000)	(0.10)		
	• Shift 1.0 FTE Econ Dev Bus Asst Mgr from Community Development (.80 FTE in General Fund, .20 FTE in Downtown Parking & Security Fund)	\$ 150,000	0.80		
	• Shift 1.0 FTE EDDBA Specialist from Community Development and reallocate to Sr Mgmt Analyst	\$ 160,000	1.00		
	• Shift 1.0 FTE Community Services Coordinator from HR	\$ 106,000	1.00		
	Sub-total:	\$ 1,111,000	3.10		3.10
C. City Clerk	• Operating budget reduced for non-election year	\$ (123,000)			
	• Reallocate 1.0 FTE Deputy City Clerk to Assistant to the City Clerk	\$ 8,000			
	• Addition of 0.75 FTE Management Analyst II by reallocating existing funding source	\$ 75,000	0.75		
	• Increase operating budget for training, photocopy, and other Council Support and Records Management expenses	\$ 15,000			
	Sub-total:	\$ (25,000)	0.75		0.75
D. City Attorney	• Addition of 1.0 FTE Assistant City Attorney	\$ 180,000	1.00		
	Sub-total:	\$ 180,000	1.00		1.00
E. Finance	• Increase in professional services budget with a corresponding increase in revenues due to accounting treatment change	\$ 220,000			
	• Net addition of 0.75 Merit FTE and .50 Part Time FTE due to Finance restructure*	\$ 30,000	0.75	0.50	
	Sub-total:	\$ 250,000	0.75	0.50	1.25

Attachment A

2014-2015 GENERAL FUND OPERATING BUDGET CHANGES *				
Description	Increase/ (Reduction)	Merit FTE Change	Part Time FTE Change	Total
F. Information Technology				
• Reallocate 1.0 FTE Administrative Assistant to 1.0 FTE Systems Analyst I/II by reallocating existing funding source	\$ -	0.00		
• Addition of .50 FTE Database Specialist 2 year limited term by reallocating existing funding source	\$ -	0.50	(0.46)	
• Shift 1.0 FTE Network Technician to Library	\$ (124,000)	(1.00)		
• Shift operating expense for PEN TV participation to City Manager's Office	\$ (29,000)			
Sub-total:	\$ (153,000)	(0.50)	(0.46)	(0.96)
G. Human Resources				
• Shift 1.0 FTE Community Services Coordinator to City Manager's Office for Volunteer Program	\$ (106,000)	(1.00)		
• Transfer operating expenses for Volunteer Program to City Manager's Office	\$ (4,000)			
Sub-total:	\$ (110,000)	(1.00)		(1.00)
H. Community Development				
• Addition of 1.0 FTE Deputy Community Development Director	\$ 208,000	1.00		
• Addition of 1.0 FTE Code Enforcement Manager (0.27 FTE General Fund, 0.43 FTE Construction Services Fund, 0.30 FTE CDBG Fund)	\$ 38,000	0.27		
• Addition of 0.50 FTE Office Assistant II	\$ 39,000	0.50		
• Shift .57 FTE Permit System Coordinator from CIP Fund (Note: 1.0 FTE Permit System Coordinator was approved in FY 13/14 in CIP Fund)	\$ 77,000			
• Shift .20 FTE Senior Code Enforcement Officer from Construction Services Fund	\$ 25,000	0.20		
• Shift .27 FTE Code Enforcement Officer II from Construction Services Fund	\$ 30,000	0.27		
• Shift .05 FTE Admin Tech to HOME Fund	\$ (7,000)	(0.05)		
• Shift .13 FTE HED Specialist II to HOME Fund	\$ (20,000)	(0.13)		
• Shift .02 FTE Community Development Director to Construction Services Fund	\$ (6,000)	(0.02)		
• Shift .01 FTE Senior Management Analyst from Construction Services Fund	\$ 1,500	0.01		
• Shift .25 FTE Executive Assistant from Advance Planning Fund	\$ 25,000	0.25		
• Shift 1.0 FTE Econ Dev Bus Asst Mgr to City Manager's Office	\$ (188,000)	(1.00)		
• Shift 1.0 FTE EDBA Specialist to City Manager's Office	\$ (130,000)	(1.00)		
• Reallocate vehicle expenses from CDBG Fund	\$ 9,000			
• Reallocate vehicle expenses from Construction Services Fund	\$ 3,000			
• Shift operating expenses for the Econ Dev/Bus Ast Program to City Manager's Office	\$ (816,000)			
• Net increase to operating budget including records management costs and other special dept expense	\$ 50,000			
Sub-total:	\$ (661,500)	0.30		0.30

2014-2015 GENERAL FUND OPERATING BUDGET CHANGES *				
Description	Increase/ (Reduction)	Merit FTE Change	Part Time FTE Change	Total
I. Public Works				
• Shift .05 FTE Sr Engineer to Downtown Parking & Security Fund	\$ (10,000)	(0.05)		
• Shift .10 FTE Deputy Public Works Director to Sewer Fund	\$ (23,000)	(0.10)		
• Shift .05 FTE Public Works Administrator to Sewer Fund	\$ (8,000)	(0.05)		
• Shift .10 FTE Administrative Assistant to Sewer Fund	\$ (11,000)	(0.10)		
• Shift .20 FTE Mgmt Analyst II from Downtown Parking & Security Fund	\$ 23,000	0.20		
• Shift .15 FTE Associate Engineer from Sewer Fund	\$ 21,000	0.15		
• Addition of 1.21 Part Time FTE for additional engineering support and maintenance work	\$ 70,000		1.21	
• Net addition of utilities, contractual and other operating budget	\$ 270,000			
Sub-total:	\$ 332,000	0.05	1.21	1.26
J. Police				
• Reallocate 1.0 FTE Police Officer to 1.0 FTE Police Sergeant	\$ 50,000	0.00		
• Shift .86 FTE Police Officer to Police Grants Fund	\$ (161,000)	(0.86)		
• Capital Outlay	\$ 12,000			
• Decrease Part Time FTE			(0.97)	
Sub-total:	\$ (99,000)	(0.86)	(0.97)	(1.83)
K. Fire				
• Addition of 1.0 FTE Emergency Preparedness Co-Ordinator by reallocating existing funding source	\$ 93,000	1.00		
• Elimination of 2.0 FTE Battalion Chiefs	\$ (430,000)	(2.00)		
• Increase interagency shared services and other contractual/professional services	\$ 485,000			
Sub-total:	\$ 148,000	(1.00)		(1.00)
L. Parks and Recreation				
• Addition of 1.0 FTE Admin Tech	\$ 108,000	1.00		
• Reallocate 2.0 FTE Landscape Maint Worker II to 2.0 FTE Landscape Laborers	\$ (25,000)	0.00		
• Addition of 1.0 FTE Landscape Maint Worker II by reallocating existing funding source	\$ 40,000	1.00		
• Reallocate 1.0 FTE Sr Community Services Supervisor to 1.0 FTE Community Services Supervisor	\$ (17,000)	0.00		
• Elimination of .33 FTE Community Services Coordinator	\$ (46,000)	(0.33)		
• Addition of 1.0 FTE Program Assistant II by reallocating existing funding source	\$ 75,000	1.00		
• Increase water budget	\$ 115,000			
• Increase in Part Time budget by reallocating operating expenses			0.18	
Sub-total:	\$ 250,000	2.67	0.18	2.85
M. Library				
• Shift 1.0 FTE Network Technician from DoIT and retitle to Library Technology Specialist	\$ 124,000	1.00		
• Reallocate .125 FTE Librarian II to Library Assistant II	\$ 1,000			
• Net reduction of professional services and other operating budget	\$ (26,000)			
• Capital Outlay	\$ 35,000			
• Decrease Part Time budget to fund other operating expenses			(0.10)	
Sub-total:	\$ 134,000	1.00	(0.10)	0.90
Total Operating Department Adjustments:	\$ 1,321,500	6.26	0.36	6.62

Attachment A

2014-2015 GENERAL FUND OPERATING BUDGET CHANGES *					
	Description	Increase/ (Reduction)	Merit FTE Change	Part Time FTE Change	Total
N.	Other				
	• Salary and benefit increases per MOUs, new PERS rates, and other benefit changes	\$ 3,350,000			
	• Budget savings included in 2013-14 base that will discontinue beginning 2014-15	\$ 2,379,500			
	• Use of one-time funds	\$ 257,000			
	• Change in accounting treatment for OPEB expense	\$ 500,000			
	Net Total Change in General Fund Operating Budget:	\$ 7,808,000	6.26	0.36	6.62

Total Change for Proposed 14-15 vs. 13-14: \$ 7,808,000

* This table reflects notable changes in the proposed 2014-15 budget over the adopted 2013-14 budget. Please refer to Table 9 in the City Manager's Budget Message for other detail of departmental changes.

2014-2015 SPECIAL REVENUE FUNDS & ENTERPRISE FUNDS OPERATING BUDGET CHANGES *					
	Description	Increase/ (Reduction)	Merit FTE Change	Part Time FTE Change	Total
A.	Special Revenue Funds				
	City Manager				
	Downtown Parking & Security Fund				
	• Move from Downtown Parking & Security Fund in Public Works:				
	1.0 FTE Admin Tech	\$ 120,000	1.00		
	.25 FTE Bldg Maint Supervisor	\$ 37,000	0.25		
	.10 FTE Tree Maint Spec	\$ 12,000	0.10		
	Operating expenses and capital outlay	\$ 800,000			
	• Add operating expenses including parking manager and operator contracts, garage improvements, building and grounds maintenance	\$ 550,000			
	• Shift .05 FTE Sr Engineer from General Fund	\$ 10,000	0.05		
	• Shift .10 FTE Executive Secretary to City Manager from General Fund	\$ 13,000	0.10		
	• Shift .10 FTE Assistant City Manager from General Fund	\$ 24,000	0.10		
	• Shift .15 FTE Project Mgr II from Fleet & Building Maint Fund	\$ 22,000	0.15		
	• Shift .10 FTE Associate Engineer from Sewer Fund	\$ 15,000	0.10		
	• Shift 1.0 FTE Econ Dev Bus Asst Mgr from Community Development (.80 FTE in General Fund, .20 FTE in Downtown Parking & Security Fund)	\$ 38,000	0.20		
	City Manager Sub-total:	\$ 1,641,000	2.05		2.05
	Community Development				
	H.O.M.E. Fund				
	• Shift .05 FTE Admin Tech from General Fund	\$ 7,000	0.05		
	• Shift .13 FTE HED Specialist II from General Fund	\$ 20,000	0.13		
	• Additional funding for affordable housing projects	\$ 450,000			
	Community Development Block Grant Fund				
	• Addition of 1.0 FTE Code Enforcement Manager (0.27 FTE General Fund, 0.43 FTE Construction Services Fund, 0.30 FTE CDBG Fund)	\$ 42,000	0.30		
	• Reallocate vehicle expenses to General Fund	\$ (9,000)			
	Advance Planning Fund				
	• Addition of 1.0 FTE Associate Planner	\$ 125,000	1.00		
	• Shift .04 FTE Senior Management Analyst to Construction Services Fund	\$ (6,000)	(0.04)		
	• Shift .25 FTE Executive Assistant to General Fund	\$ (25,000)	(0.25)		
	• Shift .18 FTE Executive Assistant to Construction Services Fund	\$ (20,000)	(0.18)		
	• Increase operating budget including consulting services to complete Housing Element	\$ 100,000			
	Construction Services Fund				
	• Addition of 1.0 FTE Assistant Planner 2 Yr Limited Term	\$ 120,000	1.00		
	• Addition of 1.0 FTE Administrative Assistant	\$ 95,000	1.00		
	• Addition of 1.0 FTE Building Inspector II 2 Yr Limited Term	\$ 140,000	1.00		
	• Elimination of 1.0 FTE Plan Check Engineer	\$ (130,000)	(1.00)		
	• Addition of 1.0 FTE Plan Checker	\$ 125,000	1.00		
	• Addition of 1.0 FTE Plan Checker	\$ 125,000	1.00		
	• Addition of 1.0 FTE Development Review Tech 2 Yr Limited Term	\$ 100,000	1.00		
	• Addition of 1.0 FTE Code Enforcement Manager (0.27 FTE General Fund, 0.43 FTE Construction Services Fund, 0.30 FTE CDBG Fund)	\$ 60,000	0.43		
	• Addition of 0.50 FTE Database Specialist	\$ 50,000	0.50		

Attachment B

2014-2015 SPECIAL REVENUE FUNDS & ENTERPRISE FUNDS OPERATING BUDGET CHANGES *					
	Description	Increase/ (Reduction)	Merit FTE Change	Part Time FTE Change	Total
	• Addition of .63 Part Time FTE for additional help	\$ 130,000		0.63	
	• Reallocate existing 1.0 FTE Development Review Tech Limited Term to Permanent Merit	\$ 100,000			
	• Reallocate existing 1.0 FTE Building Inspector II Limited Term to Permanent Merit	\$ 60,000			
	• Shift .43 FTE Permit System Coordinator from CIP Fund (Note: 1.0 FTE Permit System Coordinator was approved in FY 13/14 in CIP Fund)	\$ 58,000			
	• Shift .20 FTE Senior Code Enforcement Officer to General Fund	\$ (25,000)	(0.20)		
	• Shift .27 FTE Code Enforcement Officer II to General Fund	\$ (30,000)	(0.27)		
	• Shift .02 FTE Community Development Director from General Fund	\$ 6,000	0.02		
	• Shift .01 FTE Senior Management Analyst to General Fund	\$ (1,500)	(0.01)		
	• Shift .04 FTE Senior Management Analyst from Advance Planning Fund	\$ 6,000	0.04		
	• Shift .18 FTE Executive Assistant from Advance Planning Fund	\$ 20,000	0.18		
	• Reallocate vehicle expenses to General Fund	\$ (3,000)			
	• Net increase to operating budget for various professional services including building plan check consultants, fire plan check audits, doc retrieval, and space planning	\$ 400,000			
	Low & Moderate Income Housing Asset Fund				
	• Additional housing funds to support affordable housing projects	\$ 200,000			
	Community Development Sub-total:	\$ 2,289,500	6.70	0.63	7.33
	Public Works				
	Solid Waste Fund				
	• Shift .10 FTE Associate Engineer from Sewer Fund	\$ 15,000	0.10		
	• Shift .50 FTE Maintenance Worker II to Sewer Fund	\$ (50,000)	(0.50)		
	• Operating changes including maint. materials	\$ (20,000)			
	• Capital outlay	\$ (20,000)			
	Downtown Parking & Security Fund				
	• Shift .20 FTE Mgmt Analyst II to General Fund	\$ (23,000)	(0.20)		
	• Move to Sewer Fund:				
	.10 FTE Administrative Assistant	\$ (10,000)	(0.10)		
	.10 FTE Public Works Director	\$ (27,000)	(0.10)		
	.30 FTE Sr Mgmt Analyst	\$ (40,000)	(0.30)		
	.05 FTE Public Works Administrator	\$ (10,000)	(0.05)		
	• Move to Downtown Parking & Security Fund in the City Manager's Office:				
	1.0 FTE Admin Tech	\$ (120,000)	(1.00)		
	.25 FTE Bldg Maint Supervisor	\$ (37,000)	(0.25)		
	.10 FTE Tree Maint Spec	\$ (12,000)	(0.10)		
	Operating expenses and capital outlay	\$ (800,000)			
	Public Works Sub-total:	\$ (1,154,000)	(2.50)		(2.50)
	Police				
	Police Grants				
	• Shift .86 FTE Police Officer from General Fund by using existing Police Grants funding	\$ 161,000	0.86		
	Police Sub-total:	\$ 161,000	0.86		0.86

2014-2015 SPECIAL REVENUE FUNDS & ENTERPRISE FUNDS OPERATING BUDGET CHANGES *					
	Description	Increase/ (Reduction)	Merit FTE Change	Part Time FTE Change	Total
	Fire				
	Fire Protection and Life Safety Fund				
	• Addition of 1.0 FTE Fire Prevention Inspector II	\$ 180,000	1.00		
	• Decrease .02 Part Time FTE	\$ (1,500)		(0.02)	
	Fire Sub-total:	\$ 178,500	1.00	(0.02)	0.98
	Fleet and Building Maintenance Fund				
	• Shift .15 FTE Project Mgr II to Downtown Parking & Security Fund in the City Manager's Office	\$ (22,000)	(0.15)		
	Fire Sub-total:	\$ (22,000)	(0.15)		(0.15)
	Other Changes				
	• Debt service principal and interest payment changes	\$ 250,000			
	Special Revenue and Debt Service Funds Total:	\$ 3,344,000	7.96	0.61	8.57
B.	Enterprise Funds				
	Public Works				
	Sewer Fund				
	• Move from Downtown Parking & Security Fund in Public Works:				
	.10 FTE Administrative Assistant	\$ 10,000	0.10		
	.10 FTE Public Works Director	\$ 27,000	0.10		
	.30 FTE Sr Mgmt Analyst	\$ 40,000	0.30		
	.05 FTE Public Works Administrator	\$ 10,000	0.05		
	• Shift .10 FTE Administrative Assistant from General Fund	\$ 11,000	0.10		
	• Shift .05 FTE Public Works Administrator from General Fund	\$ 8,000	0.05		
	• Shift .10 FTE Deputy Public Works Director from General Fund	\$ 23,000	0.10		
	• Shift .50 FTE Maintenance Worker from Solid Waste Fund	\$ 50,000	0.50		
	• Shift .10 FTE Associate Engineer to Solid Waste Fund	\$ (15,000)	(0.10)		
	• Shift .10 FTE Associate Engineer to Downtown Parking & Security Fund in the City Manager's Office	\$ (15,000)	(0.10)		
	• Shift .15 FTE Associate Engineer to General Fund	\$ (21,000)	(0.15)		
	• Decrease .20 Part Time FTE with no budget impact	\$ -		(0.20)	
	• Add operating expenses for main structure remodel costs	\$ 208,000			
	• Additional professional services including consulting and project management service, reporting assistance, general program assistance, and other charges	\$ 275,000			
	• Increase contractual services for maintenance and painting contract	\$ 239,000			
	Public Works Sub-total:	\$ 850,000	0.95	(0.20)	0.75
	Parks & Recreation				
	Golf Fund				
	• Increase driving range operating expenses	\$ 100,000			
	• Operating change including rents and leases	\$ 25,000			
	• Machinery and equipment leases	\$ 20,000			
	Parks & Recreation Sub-total:	\$ 145,000	0.00		0.00
	Other Enterprise Funds Changes				
	• Sewer Fund debt service change	\$ 1,460,000			
	Enterprise Funds Total:	\$ 2,455,000	0.95	(0.20)	0.75

Attachment B

2014-2015 SPECIAL REVENUE FUNDS & ENTERPRISE FUNDS OPERATING BUDGET CHANGES *					
	Description	Increase/ (Reduction)	Merit FTE Change	Part Time FTE Change	Total
C.	Other Changes to Special Revenue and Enterprise Funds				
	• Salary and benefit increases per MOUs, new PERS rates, and other benefit changes	\$ 1,480,000			
	• Budget savings included in 2013-14 base that will discontinue beginning 2014-15	\$ 350,000			
	• Change in accounting treatment for OPEB expense	\$ (500,000)			
	Other Changes to Special Revenue and Enterprise Funds Total:	\$ 1,330,000			
	Net Total Change in Special Revenue/Enterprise Funds Operating Budget:	\$ 7,129,000	8.91	0.41	9.32
Total FTE change in General Fund					6.62
Total FTE change - All Funds					<u><u>15.94</u></u>
FTE amendments during 13-14					12.00
Total FTE change from Adopted 13-14 budget					27.94
* This table reflects notable changes in the proposed 2014-15 budget over the adopted 2013-14 budget.					

Proposed Business Plan 2014 - 15
SUMMARY OF SIGNIFICANT CAPITAL PROGRAM APPROPRIATIONS

	Project Description	Amount
1	PROGRAM MANAGEMENT - SEWER PROJECTS	5,464,000
2	CITY WIDE SANITARY SEWER REHABILITATION	4,777,400
3	CITYWIDE STREET REHABILITATION	4,290,992
4	DOWNTOWN PARKING IMPROVEMENTS	3,656,431
5	NEW FLOW EQUALIZATION STORAGE PROJECT	3,330,000
6	NEW ADMINISTRATION BLDG- CORP YARD	2,700,000
7	CITYWIDE PARK PLAY AREA UPGRADE	2,650,000
8	DIGESTER GAS TO COMPRESSED NATURAL GAS	2,500,000
9	WWTP SCADA	2,414,795
10	SEC SYS IMM.PROJ. SCs 1-4&RAS PUMP VALVE	2,320,000
11	EL CAMINO @ HWY92 INTERCHANGE IMPROV	2,280,000
12	CITYWIDE STREET RECONSTRUCTION	2,000,000
13	RAIL CORRIDOR GRADE SEPARATION	1,850,000
14	SOUTH TRUNK SYSTEM UPGRADE	1,800,583
15	WWTP ANNUAL MAJOR COMPONENTS	1,500,000
16	GRAVITY THICKENER 1 & 2	1,175,000
17	HILLSDALE/US 101 BRIDGE OVERCROSSING	1,050,000
18	EL CERRITO TRUNK RELIEF-CONSTRUCTION PHA	700,000
19	CITYWIDE STREET LIGHTS	665,555
20	WWTP SLUDGE HOPPER 2	584,000
21	BAYFRONT LEVEE IMPROVEMENT SO OF SM CRK	545,000
22	CITYWIDE SIDEWALK REPAIR PROGRAM	500,000
23	CITYWIDE BIKE/PED PATH IMPROVEMENTS	495,000
24	OTHER PROJECTS	6,826,236
Total City:		56,074,992