



Office of the City Manager

INFORMATION ITEM

February 28, 2017

To: Honorable Mayor and Members of the City Council

From: *DWR* Dee Williams-Ridley, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: FY 2017 Mid-Year Budget Update

INTRODUCTION

This report presents to the Council the FY 2017 Mid-Year Budget Update and focuses on projected General Fund revenues and expenditures. This report also provides information on expenditure projections in the special funds.

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley is currently in FY 2017, the second of two years in the FY 2016 & FY 2017 biennial budget cycle, which Council adopted on June 28, 2016.¹ On November 29, 2016, the City Council approved General Fund “carryover” expenditures of \$16.2 million (the Adjusted Budget) in the [Amendment to the FY 2017 Annual Appropriations Ordinance](#)².

FY 2017 General Fund Budget Summary			
	FY 2017 Adopted Budget	FY 2017 Adjusted Budget	FY 2017 Revised Budget
(dollars in millions)			
Revenues	\$163.7	\$163.7	\$171.0
Expenditures	165.1	181.3	181.3
Use of Fund Balance	-1.4	-17.6*	-10.3
Increase/(Decrease) to General Fund Balance (Reserve)	\$0	\$0	\$0

* Adjusted use of fund balance includes appropriated carryover for projects and programs that were not completed in FY 2016 as well as a \$6.6 million transfer of excess property transfer tax for Enterprise Resource Planning (FUND\$ Replacement).

¹ <http://records.cityofberkeley.info/Agenda/Meetings/ViewMeeting?id=190&doctype=1> (Items #52a, 52b, and 53)

² http://www.cityofberkeley.info/Clerk/City_Council/2016/11_Nov/City_Council_11-29-2016_-_Regular_Meeting_Agenda.aspx (Item #2)

On November 29, 2016, the Council was provided with the [FY 2016 Year-End Results and FY 2017 First Quarter Budget Update](#)³ Information report. At the time, both the General Fund revenues and the General Fund expenditures were tracking within budget. At the FY 2017 Mid-Year point, General Fund revenues are now projected to be up by \$7.3 million. General Fund expenditures continue to track within budget. This means that our projected use of reserves as part of the appropriation carryover will reduce from \$17.6 million to \$10.3 million.

The projected increase in the General Fund revenues is primarily due to an increase in the Property Transfer Tax. This General Fund revenue stream is projected to increase by \$7.0 million, going from an Adopted Budget of \$10.5 million to a projected \$17.5 million. In addition, Sales Tax is projected to increase by \$300,000, going from an Adopted Budget of \$17.8 million to a projected \$18.1 million. This is a \$7.3 million increase over the Adopted Budget. Additional information of the General Fund revenues can be found in Attachment 1.

General Fund expenditures are tracking within budget the Adjusted Budget which included an additional appropriation of \$16.2 million, which was approved by Council on November 29, 2016 for projects and programs which were not completed in FY 2016 and were carried forward into FY 2017. Although several departments are projecting savings, these savings will be absorbed by the Police and Fire departments which are projected to exceed their budgets by \$1.1 million and \$571,001 respectively. The majority of the costs are tied to overtime tied to additional services and increased hiring. Additional information on General Fund expenditures can be found in Attachment 2.

FY 2017 General Fund Second Quarter – Projected Revenue (up \$7.3 million)

FY 2017 Mid-Year revenues reflect that most General Fund revenue streams are on track. In fact both Property Transfer Tax and Sales Tax revenues are projected to come in over budget, \$7.0 million and \$300,000 respectively. However, staff would like to remind Council of its sound fiscal policy that excess Property Transfer Tax over the \$10.5 million baseline will be treated as one-time revenue to be used for the City's capital infrastructure needs. In accordance with Council's fiscal policy Council has allocated the excess Property Transfer Tax to fund the replacement of the City's antiquated core financial system, FUND\$. An additional \$5.5 million is needed to fund ERP (FUND\$ replacement).

³ http://www.cityofberkeley.info/Clerk/City_Council/2016/11_Nov/City_Council_11-29-2016_-_Regular_Meeting_Agenda.aspx (Item #34)

FUND\$ Replacement (ERP)
(dollars in millions)

Total Estimated ERP Cost	\$15.1
Available Balance Fund 609	\$2.1
Property Transfer Tax (FY15)	\$1.1
Property Transfer Tax (FY16)	\$6.4
Property Transfer Tax Projected(FY17)	\$5.5
Unfunded Need	\$0

The \$15.1 million estimate to replace the City's antiquated core financial system includes replacement of FUND\$ with Enterprise Resource Planning (ERP) Software core financial and human resource components of City work. This estimate also includes systems for work orders, business licensing, facilities and fleet management, performance evaluation, and refuse billing software solutions. Additionally, staff determined that we need to implement performance evaluation software and there will be some current solutions that will no longer work with a new ERP and will also require replacement. The solutions for these services will either be through expansion of the ERP system or an additional technology based service for staff to maintain the service we deliver currently. The \$15.1 million costs also includes 8.3 dedicated ERP implementation staff for three years. The implementation of the new system provides the City with a suite of modern software that will work in harmony to support efficiency and transparency in our work and allow staff to dedicate more time addressing community priorities.

In addition, the Parks, Recreation and Waterfront department has identified several unfunded capital needs. Two of the more critical unfunded capital project needs are at Echo Lake Camp to ensure that the Camp can continue to operate. The camp requires reconstruction of the existing leach field and design and construction of ADA pathways. The cost to fund these projects is \$800,000. A second critical unfunded need is the implementation of the Body Worn Camera program. The preliminary estimate to fund the program is \$400,000.

Property Transfer Tax
(dollars in millions)

FY 2017 Projected Year-End	\$17.5
Baseline for Operations	\$10.5
ERP	\$ 5.5
Camps	\$0.8
Police Body Cameras	\$0.4
Balance	\$0.3

Additional information of the General Fund revenues can be found in Attachment 1.

FY 2017 General Fund Second Quarter – Projected Expenditures (on-track)

General Fund expenditures are currently tracking within budget. FY 2017 Adopted General Fund personnel costs represent 77% of the City's total General Fund budget and are monitored by staff on a monthly basis. Similar to last year, Police overtime continues to be a concern due to increasing overtime costs and continued hiring of police officers/recruits to attain and maintain full staffing. The adoption of the FY 2017 budget Council increased the FTE level of police officers by five, raising the authorized sworn from 176 FTEs to 181 FTEs. Police staff is working diligently to fill all 181 sworn positions. In addition, the Fire Department is projected to be over budget due to higher costs for vehicle maintenance and the increased personnel costs associated with the FY 2017 academy that began in February. Savings generated in the other City departments will be used to offset these expenditures. Additional information on General Fund expenditures can be found in Attachment 2.

FY 2016 Special Funds Second Quarter – Projected Expenditures

Special Funds exclude the General Fund and are made up of a number of dedicated revenue funds, enterprise funds, and state and federal grant funds. Expenditures in these Special Funds are projected to be under budget by \$37 million. This is due mainly to several large capital improvement projects that are in progress and will not be completed in this fiscal year, as well as salary savings from vacancies. Additional details on the Special Funds expenditures can be found on Attachment 2.

Council Fiscal Policies

Date	Action/Topic
February 28, 2017	<ul style="list-style-type: none"> • FY 2017 Mid-Year Update • Projections of Future Liabilities Report
May 2, 2017	<ul style="list-style-type: none"> • FY 2018 & FY 2019 Proposed Biennial Budget Presentation

The Council has adopted budget development policies which have served us well over the long term, and has also established several budget policies that begin to address some of the long-term problems.

The fiscal policies adopted by the Council include:

- ❖ Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning;
- ❖ Building a prudent reserve;
- ❖ Developing long-term strategies to reduce unfunded liabilities;
- ❖ Controlling labor costs while minimizing layoffs;
- ❖ Allocating one-time revenue for one-time expenses;
- ❖ Requiring enterprise and grant funds to balance and new programs to pay for themselves; and
- ❖ Any new expenditure requires revenue or expenditure reductions.
- ❖ Transfer Tax in excess of \$10.5 million will be treated as one-time revenue to be used for the City's capital infrastructure needs.
- ❖ As the General Fund subsidy to the Safety Members Pension Fund declines over the next several years, the amount of the annual decrease will be used to help fund the new Police Employee Retiree Health Plan.

Also, used as a guide to developing the budget is the "fix it first" approach in which we fund current capital improvements before funding new projects.

Next Steps

Staff will present the FY 2018 & FY 2019 Proposed Biennial Budget on May 2, 2017.

May 2, 2017	<ul style="list-style-type: none"> Public Hearing #1: Budget
May 16, 2017	<ul style="list-style-type: none"> Public Hearing #2: Budget Proposed Fee Increases
May 30, 2017	<ul style="list-style-type: none"> Council recommendations on budget due to City Manager
June 13, 2017	<ul style="list-style-type: none"> Council discussion on budget recommendations
June 27, 2017	<ul style="list-style-type: none"> Adopt FY 2018 & FY 2019 Biennial Budget & Appropriation Ordinance

FY 2017 Budget Calendar

ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City’s environmental sustainability goals and requirements.

CONTACT PERSON

Teresa Berkeley-Simmons, Budget Manager, City Manager’s Office, 981-7000
Henry Oyekanmi, Finance Director, Department of Finance, 981-7300
Rama Murty, Senior Management Analyst, City Manager’s Office, 981-7000

Attachments:

- 1: FY 2017 2nd Quarter General Fund Revenues
- 2: FY 2017 2nd Quarter General Fund and All Funds Expenditures

FY 2017 FIRST HALF GENERAL FUND REVENUE YEAR END PROJECTIONS

Revenue Categories	FY 2017				
	Adopted	Mid-Year Actual	% Received	Projected FY 2017	Variance
Secured Property	\$ 48,715,854	26,352,099	54.09%	\$ 48,715,854	\$ -
Unsecured Property Taxes	2,936,296	2,295,747	78.19%	\$ 2,936,296	-
Supplemental Taxes	843,422	641,707	76.08%	\$ 843,422	-
Property Transfer Tax	10,500,000	10,101,232	96.20%	\$ 17,500,000	7,000,000
Sales Taxes	17,801,700	11,687,703	65.65%	\$ 18,101,700	300,000
Soda Taxes (NewFY15)	1,600,000	834,480	N/A	\$ 1,600,000	-
Utility Users Taxes	14,291,500	6,932,186	48.51%	\$ 14,291,500	-
Transient Occupancy Tax	7,152,440	4,221,321	59.02%	\$ 7,152,440	-
Business License Tax	16,483,200	747,934	4.54%	\$ 16,483,200	-
Vehicle In-Lieu Taxes	10,269,057	5,470,366	53.27%	\$ 10,269,057	-
Parking Fines-Regular	6,817,500	3,093,190	45.37%	\$ 6,817,500	-
Parking Fines-Booting	200,000	60,060	30.03%	\$ 200,000	-
Moving Violations	235,069	104,233	44.34%	\$ 235,069	-
Interest Income	2,200,000	1,251,964	56.91%	\$ 2,200,000	-
Ambulance Fees	4,386,000	2,171,119	49.50%	\$ 4,386,000	-
Franchise Fees	1,826,892	527,742	28.89%	\$ 1,826,892	-
Other Revenue	9,217,761	3,962,224	42.98%	\$ 9,217,761	-
Transfers	8,179,523	4,450,481	54.41%	\$ 8,179,523	-
Total Revenue:	\$ 163,656,214	\$ 84,905,788	51.88%	\$ 170,956,214	\$ 7,300,000

General Fund Revenue for Mid-Year Comparison FY17 vs FY16

Revenue Categories	FY 2017				FY 2016				FY 2017 vs FY 2016	
	Adopted	Mid-Year Actual	Variance Adopted vs Actual	% Received	Adopted	Mid-Year Actual	Variance Adopted vs Actual	% Received	Mid-Year	Variance Mid-Year
Secured Property	\$ 48,715,854	\$26,352,099	\$22,363,755	54.09%	\$ 46,351,907	\$24,535,246	\$21,816,661	52.93%	\$1,816,853	7.41%
Unsecured Property Taxes	2,936,296	2,295,747	640,549	78.19%	2,793,812	2,292,052	501,760	82.04%	3,695	0.16%
Supplemental Taxes	843,422	641,707	201,715	76.08%	802,495	494,332	308,163	61.60%	147,375	29.81%
Property Transfer Tax	10,500,000	10,101,232	398,768	96.20%	10,500,000	10,150,623	349,377	96.67%	(49,391)	-0.49%
Sales Taxes	17,801,700	11,687,703	6,113,997	65.65%	18,116,161	7,303,765	10,812,396	40.32%	4,383,938	60.02%
Soda Taxes	1,600,000	834,480	765,520	52.16%	-	833,764	(833,764)	N/A	716	0.09%
Utility Users Taxes	14,291,500	6,932,186	7,359,314	48.51%	14,477,392	6,848,920	7,628,472	47.31%	83,266	1.22%
Transient Occupancy Taxes	7,152,440	4,221,321	2,931,119	59.02%	6,561,872	4,200,643	2,361,229	64.02%	20,678	0.49%
Business License Tax	16,483,200	747,934	15,735,267	4.54%	16,320,000	964,580	15,355,420	5.91%	(216,647)	-22.46%
Vehicle In-Lieu Taxes	10,269,057	5,470,366	4,798,691	53.27%	10,167,383	5,154,401	5,012,982	50.70%	315,965	6.13%
Parking Fines-Regular	6,817,500	3,093,190	3,724,310	45.37%	7,070,000	3,271,644	3,798,356	46.28%	(178,454)	-5.45%
Parking Fines-Booting	200,000	60,060	139,940	30.03%	252,500	99,351	153,149	39.35%	(39,291)	-39.55%
Moving Violations	235,069	104,233	130,836	44.34%	234,600	117,395	117,205	50.04%	(13,162)	-11.21%
Interest Income	2,200,000	1,251,964	948,036	56.91%	2,470,000	1,272,604	1,197,396	51.52%	(20,640)	-1.62%
Ambulance Fees	4,386,000	2,171,119	2,214,881	49.50%	4,474,423	2,012,712	2,461,711	44.98%	158,407	7.87%
Franchise Fees	1,826,892	527,742	1,299,150	28.89%	1,826,892	508,737	1,318,155	27.85%	19,005	3.74%
Other Revenue	9,217,761	3,962,224	5,255,537	42.98%	8,896,646	3,669,932	5,226,714	41.25%	292,292	7.96%
Transfers	8,179,523	4,450,481	3,729,042	54.41%	8,138,892	3,948,135	4,190,757	48.51%	502,346	12.72%
Total Revenue:	\$ 163,656,214	\$84,905,788	\$78,750,426	51.88%	\$ 159,454,975	\$77,678,836	\$81,776,139	48.72%	\$7,226,952	9.30%

The Mid-Year Review Focuses on the Major Revenue Fluctuations:

Secured Property Tax (+\$1,816,853 over FY 2016 Actual) Change in projection (\$0)

During the first half of FY 2017, Secured Property Tax revenues totaled \$26,352,099, which was \$1,816,853 or 7.41% more than the \$24,535,246 received for the same period in FY 2016. This growth is in line with the County projection based on the assessed value increase anticipated by the County Assessor. The second installment is expected to have a marginal increase from the previous half year numbers from FY 2016.

Property Transfer Tax (-\$49,391 less than FY 2016 Actual) Change in projection (+\$7,000,000)

During the first half of FY 2017, Property Transfer Tax revenue decreased by \$49,391 to \$10,101,232 or .49% less than the \$10,150,623 received for the same period in FY 2016. Even though the last quarter saw a continuation of the strong property sales received in the first two quarters of the fiscal year, staff believes the third and fourth quarters will continue to register this growth trend. Staff will closely monitor this revenue for any significant changes.

Sales Tax (+\$4,383,938 more than FY 2016 Actual) Change in projection (+300,000)

For the first half of FY 2017, Sales Tax revenue totaled \$11,687,703 which is \$4,383,938 or 60.02% more than the \$7,303,765 received for the first half of FY 2016. The main reason for this huge spike was the final payment of \$2,311,802 from the State of California for the Triple Flip State program. The original projection included the Triple Flip payout. This payment is the final reconciliation that the State undertook in order to shut down the program. Going forward, the City will receive its full share of its sales tax less any reconciliation items. Staff is increasing the current projection by (\$300,000) and will monitor this revenues closely once the third quarter numbers come in.

Soda Tax (+\$716 over FY 2016 Actual) Change in projection (0)

Sugar Tax is trending as projected. As of the first half of fiscal year 2017, the actual collected is 52.16% of the total projected revenue. If this holds true, it means the projection will be very close to the actual number as anticipated. Staff is not changing the projection for this revenue.

Transient Occupancy Tax (+\$20,678 over FY 2016 Actual) Change in projection (0)

Transient Occupancy Tax (TOT) revenue for the first half of FY 2017 totaled \$4,221,321 which is \$20,678 or .049% more than the \$4,200,643 received for the first half of FY 2016. This result shows the continuation of the strong performance recorded by majority of the ten major hotels, in some cases double digit increase growth was recorded. Also, the City conducted Hotel tax audits which generated additional revenues. This increase is also in line with the strong performance that was anticipated when the FY 2017 budget was adopted.

Business License Tax (-216,647 less than FY 2016) Change in projection (\$0)

Business License tax decreased for the first half of 2017 by \$216,647 which is 22.46% less than the \$964,580 received for FY 2016 first half actual. The 4.54% received to date is marginally lower from the previous fiscal years. Business license renewals begins on January 1, 2017 and there might be a timing difference as businesses have until February 28 to file the tax. Staff is not changing the projections but will closely monitor the revenues for another Quarter.

Parking Fines Regular (-\$178,454 less FY 2016 Actual) Change in projection (0)

Parking fines revenue decreased the first half of 2017 fiscal year by \$178,454 less than the 2016 first half actual. This revenue source continues to decline. There was a decline in ticket writing in from FY 2016 to FY 2017. Staff will leave the projection as is.

Moving Violations (-\$13,162 less FY 2016 Actual) Change in projection (\$0)

Moving violations revenue decreased this first half of 2017 fiscal year by \$13,162 which is 11.21% less than the 2016 first half actual. The trend for this revenue source has been declining for a couple of fiscal years. The City is reassessing how it administer and projects for this revenue source.

Interest Income (-\$20,640 less than FY 2016 Actual) Change in projection (\$0)

For the first half of FY 2017, interest income totaled \$1,251,964 which is \$20,640 or 1.62% less than the total of \$1,272,604 received for the same period in FY 2016. This revenue source recorded a marginal increase over the adopted budget but the overall long term trend is for a lower rate because of the low interest rates environment which has been the Federal Reserve's policy since the start of the 2008 recession. Even though the Federal Reserve began raising rates in December of 2015, the effect of the rate change will not be felt in the economy for a couple of quarters. No change in projection.

Franchise Fees (+\$19,005 over FY 2016) Change in projection (\$0)

Franchise Fees increase for the first half of FY 2017 by \$19,005 which is 3.74% more than \$508,737 received in the first half of FY 2016. The amount received to date is tracking as projected. Franchise Fees are mostly collected in the second half of each year. Staff is not recommending any change in projection.

FY 2017 General Fund Expenditures (7/1/16 – 12/31/16)

Department	FY 2017 Adopted	FY 2017 Adjusted	YTD Actuals + Encumbrances	% Budget Spent	Year-End Projected	Surplus/ Deficit	% Over/ Under
Mayor & Council	1,918,324	1,684,837	851,231	51%	1,684,837	0	0.0%
Auditor	2,158,342	2,173,349	877,539	40%	1,930,549	242,800	11.2%
City Manager	5,541,765	6,139,895	2,687,954	44%	6,028,685	111,210	1.8%
Police Review Commission	595,867	598,847	275,338	46%	587,978	10,869	1.8%
City Attorney	2,251,858	2,253,065	960,377	43%	1,925,042	328,023	14.6%
City Clerk	1,999,005	2,392,114	825,822	35%	2,297,379	94,735	4.0%
Information Technology	4,905,540	6,920,222	3,039,519	44%	6,920,222	0	0.0%
Finance	5,792,713	6,823,511	2,624,164	38%	6,253,279	570,232	8.4%
Human Resources	2,190,985	2,393,993	1,079,960	45%	2,322,053	71,940	3.0%
Health, Housing & Community Svcs.	13,166,206	13,980,574	6,744,719	48%	13,913,513	67,061	0.5%
Public Works	2,728,557	3,989,238	1,779,587	45%	3,851,697	137,541	3.4%
Parks, Recreation and Waterfront	5,350,515	5,769,469	3,233,795	56%	5,769,469	0	0.0%
Fire	29,454,571	29,537,112	14,511,180	49%	30,108,113	-571,001	-1.9%
Police	60,684,425	60,850,154	28,935,755	48%	61,933,127	-1,082,973	-1.8%
Planning	1,757,849	1,764,768	716,644	41%	1,742,645	22,123	1.3%
Economic Development	2,311,732	2,544,579	1,933,085	76%	2,544,579	0	0.0%
Non-Departmental	22,308,103	31,520,140	17,964,009	57%	31,520,140	0	0.0%
Total	165,116,357	181,335,867	89,040,678	49%	181,333,307	2,560	0.0%

FY 2017 Special Funds Expenditures (7/1/16 – 12/31/16)

Note: Special Funds are non-discretionary funds allocated for specific purposes (e.g. Community Development Block Grant, Sewer Fund, and Parks Taxes).

Department	FY 2017 Adopted	FY 2017 Adjusted	YTD Actual + Encumbrances	% Budget Spent	Year-End Projected	Surplus/ Deficit	% Over/ Under
Mayor & Council							
Auditor	142,577	142,577	69,566	49%	142,577	-	0.0%
City Manager	516,238	865,144	395,385	46%	865,144	-	0.0%
Police Review Commission						-	
City Attorney	1,940,291	2,261,717	912,728	40%	1,621,714	640,003	28.3%
City Clerk						-	
Information Technology	3,460,085	6,494,303	2,040,425	31%	5,977,367	516,936	8.0%
Finance	1,753,806	1,838,131	758,403	41%	1,679,115	159,016	8.7%
Human Resources	1,597,517	2,019,340	915,822	45%	1,802,739	216,601	10.7%
Health, Housing & Community Svcs.	30,461,677	38,299,390	16,718,478	44%	27,998,531	10,300,859	26.9%
Public Works	110,979,895	166,473,586	80,781,876	49%	148,697,963	17,775,623	10.7%
Parks and Waterfront	21,373,658	31,075,972	15,185,171	49%	26,214,958	4,861,014	15.6%
Fire	7,651,552	8,616,391	4,415,607	51%	8,633,724	(17,333)	-0.2%
Police	4,468,856	4,989,438	2,397,985	48%	4,874,469	114,969	2.3%
Planning	14,020,263	17,610,483	8,062,239	46%	17,318,959	291,524	1.7%
Economic Development	2,609,951	3,258,990	1,202,415	37%	3,258,990	-	0.0%
Rent Board	4,792,655	4,753,540	2,383,756	50%	4,753,540	-	0.0%
Library	20,114,212	20,679,451	9,556,820	46%	18,500,817	2,178,634	10.5%
Non-Departmental	25,209,420	30,155,127	24,799,951	82%	30,155,127	-	0.0%
Total All Other Funds	251,092,653	339,533,580	170,596,627	50%	302,495,734	37,037,846	10.9%
Total General Fund	165,116,357	181,335,867	89,040,678	49%	181,333,307	2,560	0.0%
Total Citywide Budget	416,209,010	520,869,447	259,637,305	50%	483,829,041	37,040,406	7.1%

Budget Assumptions

- ⇒ Budgeted target savings for departments are built into FY 2017 Adopted and Adjusted General Fund budgets.
- ⇒ Year-to-date payroll through 12/31/16 equals 46.5% of the payroll budget expended.
- ⇒ Non-personnel YTD expenditures through 12/31/16 are generally assumed to be fully expended, except for capital improvement project funding. If non-personnel budgets are not fully expended, additional savings will be realized at year-end.
- ⇒ Expenses are measured against the Adjusted Budget, which includes carryover of funds from FY 2016 into FY 2017 as approved by Council on November 29, 2016.

Second Quarter Variance Analysis

The following variance analysis is an expenditure snapshot by City departments and is intended to present possible expenditure trends for this fiscal year.

General Fund spending by department

The General Fund is projected to finish FY 2017 just slightly under the adjusted budget by \$2,560. Most of the projected savings is expected to be due to salary savings from vacant positions and under spending of non-personnel budgets in most of the departments. The savings in other departments is just slightly offset by overages in the Police Department and Fire Department.

The Police Department General Fund deficit is estimated at \$1,083,000 based on increased overtime costs (homeless encampments and protests) and continued aggressive hiring of police officers/recruits to attain and maintain full staffing. The projected deficit includes accelerated hiring of new Police Officers (FY 2016 a total of 11 recruits and FY 2017 a total of 21 recruits anticipated) and overtime costs to maintain service levels within the City of Berkeley. The Police Department will try to use salary savings, non-personnel savings and cost shifting to other funds, as appropriate, to offset the projected budget deficit.

The Fire Department is projected to be over budget in the General Fund by \$571,001 at the end of FY 2017. The overage is due to higher costs for vehicle maintenance and replacement than the amounts budgeted and the personnel costs associated with the FY 2017 academy that has begun on February 21, 2017. In FY 2018 & FY 2019, the budget amount for vehicle maintenance costs will be adjusted to bring it closer to the annual actual charges.

Special Funds spending by department

Special Funds excludes the City's General Fund and are made up of numerous dedicated revenue funds, enterprise funds, and state and federal grant funds. Revenues generated by these activities are restricted. Staff is projecting unspent funds totaling approximately \$37 million in FY 2017. This is due mainly to several large capital improvement projects that are in progress and will not be completed in this fiscal year, as well as salary savings from vacancies.

Public Works (General Fund +\$137,541; Special Funds +\$17,775,623)

The vast majority of the unspent funds in Public Works are attributed to pending capital projects.

- General Fund (\$0.1 million): Expenditures are projected to be under budget by \$646,000, due to salary savings and approximately \$500K in project carryover to FY 2018.
- *Street Light Assessment Fund (\$0.3 million)*: Expenditures are projected to be under budget by approximately \$560,000 due to in salary savings from vacant positions, project expenditures from the City Streetlight Program (16TP04) carrying over into FY 2018.
- *State Transportation Tax Fund (\$0.6 million)*: Of the projected expenditure balance of \$1.6M, \$920K will be requested for carryover for the continuing Street Rehab and storm drain projects.
- *Measure B Local St & Road Fund (\$0.7 million)*: Approximately \$724K will be encumbered and rolled over to FY 2018 as part of the Street Rehab program leaving an unspent balance of \$702,951.
- *Measure BB Local St & Road Fund (\$2.0 million)*: Of the projected expenditure balance of \$2M, approximately \$1.6M will be encumbered and rolled over to FY 2018 as part of the street pavement and storm drain improvement projects.
- *Measure M Bond (\$6.9 million)*: Of the projected expenditure balance of \$6.9M, approximately \$5.8M will be encumbered and rolled over to FY 2018 as part of the street pavement and storm drain improvement projects.
- *Capital Improvement Fund (\$0.4 million)*: Expenditures are projected to be under budget by \$2.9M, with encumbrances and carryover requests of \$2.5M for continuing projects in FY 2017.
- *Zero Waste Fund (\$1.5 million)*: Underspensing is due primarily to salary savings (\$0.7 million) from vacant positions in FY 2017.
- *Sanitary Sewer Fund (\$5.4 million)*: Projections reflect salary savings from vacant positions and from positions charging to projects with other fund sources, and shifting planned expenditure of some capital projects into FY 2018.
- *Off-Street Parking Fund (\$0.6 million)*: Projections reflect underspending in FY 2017 due to delays in the Center Street Garage Project construction. Funds will be partially encumbered in FY 2017 and spent in FY 2018.

Health, Housing & Community Services (General Fund +\$67,061; Special Funds +\$10,300,859)

Health, Housing & Community Services expenditures are projected to be under the adjusted budget by almost \$10.4 million at the end of FY 2017. Delays in spending on the renovation of the Mental Health Adult Clinic account for a significant part of these savings and will be spent in FY 2018. Additional savings reflect the delay in hiring staff

into newly created positions in the Mental Health division. Projects that are underway but not projected to be completed in the Senior Disabled Rehabilitation Loan Program, community facility improvements program and other planned developments account for much of the unspent CDBG and CalHome funds. These funds will be carried over for use in FY 2018

Parks Recreation & Waterfront (General Fund +\$0; Special Funds +\$4,861,014)

Under-spending in the special funds in the Parks Recreation & Waterfront Department is due primarily to capital improvement work that will begin this year, but be completed in FY 2018. The Parks Tax Fund is projected to be under budget by \$2,992,388. The remainder of the savings in the Parks Tax Fund is due to salary and non-personnel savings. \$1.9 million in Measure WW Funds is projected to be not fully spent in FY 2017 but will be carried over to FY 2018 to complete these projects.

Library (General Fund \$0; Special Funds +\$2,178,634)

Library is projected to finish under budget by almost \$2,178,634. The savings is due to the Central Library project being postponed to FY 2018.

City Attorney (General Fund +\$328,023; Special Funds +\$640,003)

The City Attorney's Office is projected to be under budget in special funds by \$640,003. This is due to projected savings in the Public Liability Fund for claims and judgments.

Planning (General Fund +\$22,123; Special Funds +\$291,524)

The Planning Department is expected to finish under budget by \$291,524 which is due to salary savings from vacant positions in FY 2017.