

# Financial Management



## Department Description

The Financial Management Department provides fiscal services to the Mayor and serves as an internal fiscal consultant to other City departments. Financial Management prepares the proposed and annual budgets in accordance with the City Charter each year. During the fiscal year, Financial Management monitors the City's expenditures and revenue receipts, oversees budget transfers and adjustments, and reviews requests for City Council and Mayoral Actions for both the operating budget and the Capital Improvements Program. In addition, the Department develops and updates the Mayor's Five-Year Financial Outlook.

Financial Management is organized into the following functions:

### **Budget Development and Public Budget Formulation**

The Budget Development staff coordinates and manages the development and implementation of a responsible and balanced budget. The staff continuously tries to streamline the year-long budget process by maintaining and improving budgeting system software, which includes the development of a new budgeting application known as Public Budget Formulation; working with City departments, seeking expenditure savings, and implementing Mayoral objectives.

### **Economic Analysis and Financial Planning**

The Economic Analysis and Financial Planning staff develops and updates the Mayor's Five-Year Financial Outlook, seeks to identify new revenue sources, and forecasts revenues citywide. Revenue monitoring and forecasting are focused on the major revenue sources, such as property tax, sales tax, and transient occupancy tax. This is achieved by reviewing current-year and historical revenue receipts and factoring in economic trends.

### **Budget Monitoring**

The Budget Monitoring staff monitors the City's annual operating budget. Quarterly reports are produced and presented to City Council to forecast year-end results and aid in adjusting the budget throughout the year to accommodate unforeseen changes in revenues and expenditures. The staff also develops and monitors period-to-date budgets for each City department as a tool for benchmarking actual expenditures and revenues, which encourages departments to adhere to their budget.

### **Capital Budget**

The Capital Budget staff develops and monitors the City's Capital Improvements Program (CIP) Budget which supports construction projects such as the development of park land, installation of traffic signals, and the construction and remodeling of City facilities. In addition, requests for Council actions are reviewed for their CIP impact.

# Financial Management

The Department's mission is:

*To develop and monitor the City's annual budget and comprehensive long-range financial forecast through a collective effort; to provide sound fiscal analysis of operating and capital revenues and expenditures; to provide superior customer service; and to adhere to the highest professional standards*

## Goals and Objectives

The following goals and objectives represent the action plan for the Department.

### ***Goal 1: Produce a balanced annual budget***

Having a balanced annual budget is mandated by City law. A budget is considered balanced when revenues and expenditures equal one another. The Department will accomplish this goal by focusing on the following objectives.

- Implement a more efficient budget development application
- Publish the City's Proposed and Annual Budget

### ***Goal 2: Provide long-range fiscal planning***

The purpose of long-range fiscal planning is to enable effective decision-making and identify the City's future fiscal requirements to support City services. The Department will accomplish this goal by focusing on the following objectives.

- Analyze actual revenue receipts and economic trends to forecast major revenues
- Forecast expenditure trends in City departments

### ***Goal 3: Monitor spending citywide***

Budget monitoring is an essential business practice to identify variances in the spending plan and to control overspending. The Department will accomplish this goal by focusing on the following objective.

- Adjust budgets throughout the year to accommodate unforeseen changes in revenues and expenditures

### ***Goal 4: Provide superior customer service***

Providing excellent customer service is a goal of every City department whether the customer is a resident, visitor, outside agency, or a City employee from another department. The Department will accomplish this goal by focusing on the following objectives.

- Provide internal training
- Provide accurate and timely fiscal analysis and review and consultation for Council and Mayoral actions

### ***Goal 5: Build a sustainable organization through learning and continuous improvement***

A key part of building a sustainable organization is to develop a trained workforce and high performing teams. Over the next one to two years, the Department will accomplish this goal by focusing on the following objective.

- Support professional growth and development

### ***Goal 6: Promote the highest ethical standards***

Adhering to a stringent ethical standard is the cornerstone of any governmental organization. City residents must be assured that their interests are always the primary concern of department staff. The Department will accomplish this goal by focusing on the following objectives.

- Provide ethics training for management and staff
- Management review of standards and ethical practices with staff on a regular basis

## Service Efforts and Accomplishments

### **Budget Development**

For Fiscal Year 2009, Financial Management developed a total budget of over \$3.1 billion. Throughout the year the Department oversees the administration of the City's Capital Improvement Program as well as monitoring all budgeted funds and maintaining a balanced General Fund budget. The Department incorporated General Fund

# Financial Management

reserve contributions into the balanced Fiscal Year 2009 Annual Budget in compliance with the Reserve Policy that the Department developed and Council adopted in Fiscal Year 2008.

## Budget Monitoring

To further its core responsibility of administrating the City's Annual Budget, the Department established period-to-date budgets for each of the City's budgeted departments to benchmark actual expenditures and revenues. The Department routinely compares actual results to projections on a quarterly basis. The Financial Management staff subsequently incorporates this data and accompanying relevant analysis into quarterly reports to the City Council along with any recommendations regarding any required adjustments to budgetary allocations. During the first quarterly review for Fiscal Year 2009, significant budgetary reductions were presented to City Council in order to reduce spending early in the fiscal year due to rapidly declining revenues resulting from the economic downturn. This resulted in a budgetary reduction of \$36.6 million and 138.95 FTE positions.

The Department also reviews Council and Mayoral actions in order to determine and evaluate any financial impact to the City. In Fiscal Year 2009, the Financial Management staff was on track to review over 1,000 requests for actions prior to public hearing.

## Fiscal Planning

Beginning in Fiscal Year 2007, the Department began developing the Mayor's Five-Year Financial Outlook. The first edition of this report, covering Fiscal Years 2008 through 2012, was issued to the City Council in November 2006; the second and third editions were delivered in January 2008 and November 2008, respectively. The Department will continue to issue annual updated editions of the Financial Outlook at the beginning of each budget cycle to set the framework for the upcoming budget.

## User Fees

In Fiscal Year 2009, the Department developed and Council adopted a comprehensive citywide User Fee Policy, which defined the method by which fees and charges are set and the extent to which they cover the cost of the services provided. The purpose of this policy is to provide guidelines for the review of City fees and to incorporate best practices in establishing user fees to ensure that the City adequately recovers costs for services it provides to the public.

## Public Budget Formulation

The City is currently partnering with SAP to develop and implement the Public Budget Formulation (PBF) module. This application will replace the existing budget development tool—Financial Management Information System (FMIS)—and will be used for the preparation of the proposed and annual budgets. PBF is an integrated system that will allow the City to move from disconnected data systems to a connected chain of functions and activities. This improved platform will enhance Financial Management's budget development, execution, and administration abilities.

## Budget Dollars at Work: Performance Expectations

### Goal 1: To produce a balanced annual budget

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent of General Fund budget adjusted in the May Revise	0.4%	0.04%	<1.0%
2. Percent of General Fund operating expenditure budget adjusted through the year	2.1%	N/A <sup>1</sup>	<3.0%
3. Percent completion of implementing new budgeting system	N/A <sup>2</sup>	20.0%	100.0%

<sup>1</sup> Not available until the release of Comptroller's Year-End Report in September 2009.

<sup>2</sup> The new budgeting system is currently being developed and expected to be finished in Fiscal Year 2010 and used for Fiscal Year 2011.

# Financial Management

## Goal 2: To provide long-range fiscal planning

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent variance between projected and annual budgeted revenue	1.5%	0.7% <sup>3</sup>	<3.0%
2. Percent of significant expenditures included in the Five-Year Financial Outlook that were also included in the budget	98.7%	95.9%	100.0%

## Goal 3: To monitor spending citywide

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent variance between actual General Fund revenue and revised budget at year-end	1.8%	N/A <sup>1</sup>	<3.0%
2. Percent variance between actual General Fund expenditures and revised budget at year-end	1.3%	N/A <sup>1</sup>	<3.0%

## Goal 4: To provide superior customer service

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent of Council and Mayoral actions reviewed within four days	78.1%	65.3% <sup>4</sup>	80.0%

## Goal 5: To build a sustainable organization through learning and continuous improvement

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent of staff compliant with the Department's training policy	81.0%	88.0%	100.0%

## Goal 6: To promote the highest ethical standards

Performance Measure	Baseline FY2008	Estimated FY2009	Target FY2010
1. Percent of staff having participated in at least one annual internal ethics training session	100%	100%	100%

## Budget Dollars at Work: Sizing and Workload Data

	Actual FY2006	Actual FY2007	Actual FY2008	Estimated FY2009	Target FY2010
<b>Workload Data</b>					
Number of Council and Mayoral actions reviewed to assess the financial impact to the City	N/A	>1,000	1,115	1,000	1,000
Size of budget developed and administered <sup>5</sup>	\$2.5B	\$2.6B	\$2.9B	\$3.1B	TBD

<sup>3</sup> Projected value is defined as the projection from the Fiscal Year 2009 Mid-Year Report. Annual value is defined as the Fiscal Year 2009 First Quarter Revised Budget.

<sup>4</sup> Estimate is based on data before the conversion to electronic routing, and will be revised when tracking data becomes available.

<sup>5</sup> Includes the citywide operating budget and Capital Improvements Program

# Financial Management

## Department Summary

Financial Management				
	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED	FY 2009-2010 CHANGE
Positions	30.00	31.00	<b>31.00</b>	0.00
Personnel Expense	\$ 3,178,179	\$ 3,380,133	\$ <b>3,399,046</b>	\$ 18,913
Non-Personnel Expense	\$ 939,598	\$ 891,531	\$ <b>596,735</b>	\$ (294,796)
<b>TOTAL</b>	\$ <b>4,117,777</b>	\$ <b>4,271,664</b>	\$ <b>3,995,781</b>	\$ (275,883)

## Department Staffing

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>GENERAL FUND</b>			
<b>Financial Management</b>			
Annual Budget Development	11.00	12.00	<b>11.00</b>
Current Year Monitoring Management	9.00	9.00	<b>9.00</b>
Revenue and Forecasting	3.00	3.00	<b>3.00</b>
	7.00	7.00	<b>8.00</b>
<b>Total</b>	<b>30.00</b>	<b>31.00</b>	<b>31.00</b>

## Department Expenditures

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>GENERAL FUND</b>			
<b>Financial Management</b>			
Annual Budget Development	\$ 1,926,490	\$ 1,579,620	\$ <b>1,292,003</b>
Current Year Monitoring	\$ 1,016,831	\$ 1,020,701	\$ <b>1,050,950</b>
Financial Management	\$ (3,986)	\$ 493,250	\$ <b>(81,546)</b>
Management	\$ 391,275	\$ 383,959	\$ <b>828,070</b>
Revenue and Forecasting	\$ 787,167	\$ 794,134	\$ <b>906,304</b>
<b>Total</b>	\$ <b>4,117,777</b>	\$ <b>4,271,664</b>	\$ <b>3,995,781</b>

# Financial Management

## Significant Budget Adjustments

### GENERAL FUND

Financial Management	Positions	Cost	Revenue
<p><b>Salary and Benefit Adjustments</b></p> <p>Adjustments to reflect the annualization of the Fiscal Year 2009 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and fringe adjustments.</p>	0.00 \$	64,376 \$	0
<p><b>Public Budget Formulation Support</b></p> <p>Addition of 1.00 limited Senior Budget Development Analyst and 1.00 limited Supervising Budget Development Analyst to support the City's new budgeting system (Public Budget Formulation).</p>	2.00 \$	223,807 \$	223,807
<p><b>Non-Discretionary Adjustment</b></p> <p>Adjustments to expense allocations that are determined outside of the department's direct control. These adjustments are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.</p>	0.00 \$	223 \$	0
<p><b>Support for Safety and Maintenance of Visitor-Related Facilities</b></p> <p>Support to reimburse the General Fund for expenditures associated with the safety and maintenance of visitor-related facilities.</p>	0.00 \$	0 \$	20,000
<p><b>Revised Revenue</b></p> <p>Adjustment to reflect Fiscal Year 2010 revenue projections.</p>	0.00 \$	0 \$	(292,092)
<p><b>ERP Backfill Reduction</b></p> <p>Reduction of limited positions and/or revenue that were added in the Fiscal Year 2009 Annual Budget for the purpose of backfilling positions required to work on the City's OneSD Project.</p>	0.00 \$	0 \$	(96,804)
<p><b>Equipment/Support for Information Technology</b></p> <p>Funding allocated according to a zero-based annual review of information technology funding requirements and priority analyses.</p>	0.00 \$	(71,555) \$	0
<p><b>Vacancy Savings</b></p> <p>Adjustments to personnel expenses to reflect the anticipated savings resulting from positions projected to be vacant for any period of the fiscal year due to personnel attrition and salary differentials for new employees.</p>	0.00 \$	(81,546) \$	0
<p><b>Fiscal Year 2009 Budget Amendment</b></p> <p>Adjustments to personnel and non-personnel expenses, and revenue as a result of the Fiscal Year 2009 Budget Amendment. These adjustments are further discussed in Volume 1: Budget Overview and Schedules.</p>	(2.00) \$	(411,188) \$	(136,000)

# Financial Management

## Expenditures by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>PERSONNEL</b>			
Salaries & Wages	\$ 2,123,633	2,290,787	<b>2,328,348</b>
Fringe Benefits	\$ 1,054,546	1,089,346	<b>1,070,698</b>
<b>SUBTOTAL PERSONNEL</b>	<b>3,178,179</b>	<b>3,380,133</b>	<b>3,399,046</b>
<b>NON-PERSONNEL</b>			
Supplies & Services	\$ 918,395	181,211	<b>157,978</b>
Information Technology	\$ 725	682,750	<b>399,696</b>
Energy/Utilities	\$ 20,478	27,570	<b>39,061</b>
<b>SUBTOTAL NON-PERSONNEL</b>	<b>939,598</b>	<b>891,531</b>	<b>596,735</b>
<b>TOTAL</b>	<b>4,117,777</b>	<b>4,271,664</b>	<b>3,995,781</b>

## Revenues by Category

	FY 2008 BUDGET	FY 2009 BUDGET	FY 2010 PROPOSED
<b>GENERAL FUND</b>			
Charges for Current Services	\$ 116,658	\$ 110,804	\$ <b>20,000</b>
Transfers from Other Funds	\$ -	\$ 541,980	\$ <b>351,695</b>
<b>TOTAL</b>	<b>\$ 116,658</b>	<b>\$ 652,784</b>	<b>\$ 371,695</b>

## Salary Schedule

### GENERAL FUND

#### Financial Management

<i>Class</i>	<i>Position Title</i>	<i>FY 2009 Positions</i>	<i>FY 2010 Positions</i>	<i>Salary</i>	<i>Total</i>
1106	Sr Management Analyst	7.00	<b>0.00</b>	\$ -	\$ -
1218	Assoc Management Analyst	15.00	<b>0.00</b>	\$ -	\$ -
1648	Payroll Specialist II	1.00	<b>1.00</b>	\$ 41,507	\$ 41,507
1876	Executive Secretary	1.00	<b>1.00</b>	\$ 51,538	\$ 51,538
1917	Supv Management Analyst	2.00	<b>0.00</b>	\$ -	\$ -
1923	Supv Economist	1.00	<b>0.00</b>	\$ -	\$ -
1965	Associate Budget Development Analyst	0.00	<b>13.00</b>	\$ 65,291	\$ 848,786
1966	Senior Budget Development Analyst	0.00	<b>8.00</b>	\$ 71,864	\$ 574,912
1967	Supervising Budget Development Analyst	0.00	<b>4.00</b>	\$ 80,787	\$ 323,148
2132	Department Director	1.00	<b>1.00</b>	\$ 145,000	\$ 145,000
2217	Financial Operations Manager	3.00	<b>3.00</b>	\$ 115,001	\$ 345,003
	Vacancy Factor Adjustment	0.00	<b>0.00</b>	\$ -	\$ (81,546)
	Overtime Budgeted	0.00	<b>0.00</b>	\$ -	\$ 80,000
	<b>Total</b>	<b>31.00</b>	<b>31.00</b>	<b>\$</b>	<b>2,328,348</b>
<b>FINANCIAL MANAGEMENT TOTAL</b>		<b>31.00</b>	<b>31.00</b>	<b>\$</b>	<b>2,328,348</b>

