

Financial Management



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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. During the fiscal year, Financial Management monitors the City's revenues and expenditures, oversees budget transfers and adjustments, and reviews requests for City Council and Mayoral Actions for both the operating budget and the Capital Improvements Program (CIP). In addition, the Department develops and updates the Five-Year Financial Outlook.

Financial Management is organized into the following functions:

Budget Development and Public Budget Formulation (PBF)

The Budget Development staff coordinates and manages the development and implementation of a responsible and balanced budget. Staff works to streamline the year-long budget process by maintaining and improving the City's budgeting system which includes enhancements to the budgeting application, Public Budget Formulation; working with City departments; seeking expenditure savings; and implementing mayoral objectives.

Financial Planning and Analysis

The Financial Planning and Analysis staff develops and updates the 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 in accordance with the City's Budget Policies (Council Policy 000-02). The quarterly reports also include a status of reserve levels for the General Fund and other risk management and enterprise funds.

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At the close of the fiscal year, Budget Monitoring staff reviews activity citywide and makes adjustments necessary to close the fiscal year with departments and funds in balance, maintaining compliance with the City Charter and Municipal Code.

Funds Management Module

Financial Management staff serves the City as the Business Process Coordinator of the Funds Management module of SAP. The Funds Management module is the City's budgetary reporting, monitoring, and control system. This system provides up-to-the-minute reporting of activity and controls spending to be within budgetary limits as approved by City Council. Financial Management staff is responsible for maintaining the system and ensuring data accuracy.

Capital Budget Development and Monitoring

The Capital Budget Development and Monitoring staff develops and monitors the City's Capital Improvements Program (CIP) Budget which supports construction projects such as street resurfacing, installation of traffic signals and street lights, the replacement of sewer and water pipelines, and the construction and remodeling of City facilities. In addition, staff also supports the development of the City's Consolidated Multi-Year Capital Planning Report.

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 structurally balanced annual budget

Having a balanced annual budget is mandated by City law. A budget is considered balanced when expenditures are equal to available resources (fund balance and/or revenues). The Department will accomplish this goal by focusing on the following objectives:

- Implement a more efficient budget development application
- Ensure recurring revenues equal or exceed recurring expenditures
- Ensure one-time revenues pay for one-time expenditures
- Always maintain General Fund reserve target of 14%
- Publish the City's Proposed and Adopted Budgets

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
- Forecast departmental revenues in collaboration with City departments
- Monitor and update the five-year forecast on a quarterly basis

Goal 3: Monitor spending citywide

Budget monitoring is an essential business practice to identify variances in the spending plan to ensure budgetary control. The Department will accomplish this goal by focusing on the following objectives:

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- Adjust budgets throughout the year to accommodate unforeseen changes in revenues and expenditures
- Provide City Council an update of the expenditure forecast at mid-year and year-end to assist in budget decisions

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, review, and consultation for Mayoral and Council actions
- Provide monthly and quarterly financial reports to management to assist them in making informed budgetary decisions

Goal 5: Build a sustainable organization through learning and improvement

A key part of building a sustainable organization is to develop a trained workforce and high-performing teams. The Department will accomplish this goal by focusing on the following objectives:

- Support professional growth and development
- Support internal mentoring and coaching programs

Goal 6: Promote the highest ethical standards

Adherence 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

Key Performance Indicators

Performance Indicator	Actual FY2014	Target FY2015	Actual FY2015	Target FY2016
1. Percent variance between actual General Fund expenditures and the revised budget at year-end	<2.0%	<3.0%	2.5% ¹	<3.0%
2. Percent variance between actual General Fund revenue and the revised budget at year-end	<2.5%	<3.0%	0.3% ¹	<3.0%
3. General Fund reserves (as a percent of total General Fund revenues) compared to goal	14.0%	15.0%	14.0 ¹	14.0%

1. Based on Fiscal Year 2015 unaudited actuals.

Service Efforts and Accomplishments

Budget Development

For Fiscal Year 2015, Financial Management developed a balanced budget of \$3.70 billion. In addition, Financial Management issued the Fiscal Years 2016-2020 Five-Year Financial Outlook which serves as a guide for long-range planning and provides the framework for the development of the annual budget. The Outlook incorporated a variety of economic assumptions and new expenditure requirements affecting the City's General Fund revenues and expenditures.

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Budget Monitoring

The Department monitors the City's annual operating budget throughout the fiscal year. Quarterly reports are produced and presented to the Budget and Government Efficiency Committee and City Council to forecast year-end results and aid in adjusting the budget throughout the year to address changes in revenues and expenditures. In Fiscal Year 2014, through Financial Management projections of revenue and expenditures, the Mayor was able to provide funding mid-year to purchase on-body cameras for over 100 police officers, extend the May 2014 academy by nine police recruit positions, and pre-fund risk management fund reserves, as well as other priorities.

Fiscal Planning

Beginning in Fiscal Year 2007, the Department has prepared the Five-Year Financial Outlook prior to the start of the budget cycle. Eight new editions have been issued with the latest edition released in November 2014, covering Fiscal Years 2016-2020. 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 to ensure that the City adequately recovers costs for services it provides to the public. A master schedule for all General Fund user fees is posted online for the public.

As required by the Citywide User Fee Policy, the Financial Management Department is leading a comprehensive analysis of the City's General Fund user fees during Fiscal Year 2015. This analysis will review the cost of providing services to ensure fees are accurate and compliant with Proposition 26. Fee adjustments as a result of the comprehensive analysis will be implemented on July 1, 2015 with commencement of Fiscal Year 2016. Additionally, any user fee revenue adjustments associated with the comprehensive analysis will be incorporated in the Fiscal Year 2016 Adopted Budget.

Capital Budget

For Fiscal Year 2015, Financial Management, in conjunction with the Public Works and all asset-owning departments, developed a CIP Budget adding an additional \$310.0 million to the City's \$6.27 billion CIP Program.

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Department Summary

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
FTE Positions (Budgeted)	30.00	30.00	32.00	2.00
Personnel Expenditures	\$ 3,591,903	\$ 3,721,386	\$ 3,999,213	\$ 277,827
Non-Personnel Expenditures	284,306	388,009	395,353	7,344
Total Department Expenditures	\$ 3,876,208	\$ 4,109,395	\$ 4,394,566	\$ 285,171
Total Department Revenue	\$ (583)	\$ 5,000	\$ -	\$ (5,000)

General Fund

Department Expenditures

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Financial Management	\$ 3,876,208	\$ 4,109,395	\$ 4,394,566	\$ 285,171
Total	\$ 3,876,208	\$ 4,109,395	\$ 4,394,566	\$ 285,171

Department Personnel

	FY2014 Budget	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Financial Management	30.00	30.00	32.00	2.00
Total	30.00	30.00	32.00	2.00

Significant Budget Adjustments

	FTE	Expenditures	Revenue
Addition of Budget Coordinator Addition of 1.00 Budget Coordinator for the Public Budget Formulation (PBF) upgrade and improvements to the Funds Management (FM) module.	1.00	\$ 132,187	\$ -
Addition of Senior Budget Development Analyst Addition of 1.00 Senior Budget Development Analyst as a result of the Capital Improvements Project (CIP) Growth/ Streets initiative.	1.00	106,970	-
Salary and Benefit Adjustments Adjustments to reflect the annualization of the Fiscal Year 2015 negotiated salary compensation schedule, changes to savings resulting from positions to be vacant for any period of the fiscal year, retirement contributions, retiree health contributions, and labor negotiation adjustments.	0.00	45,438	-
Addition of Training Expenditures Addition of non-personnel expenditures to meet required training standards and for ongoing staff improvement.	0.00	30,000	-
Hourly Sick Leave Addition of personnel expenditures for paid sick leave benefits for eligible hourly employees consistent with the requirements of Assembly Bill 1522.	0.00	200	-
Non-Standard Hour Personnel Funding Adjustment to expenditures according to a zero-based annual review of non-standard hour personnel funding requirements.	0.00	(1,968)	-

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Significant Budget Adjustments (Cont'd)

	FTE	Expenditures	Revenue
Hard Copy Budget Publication Reduction Reduction of non-personnel expenditures as a result of eliminating hard copies of budget publication.	0.00	(7,722)	-
Non-Discretionary Adjustment Adjustment to expenditure allocations that are determined outside of the department's direct control. These allocations are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.	0.00	(9,080)	-
Equipment/Support for Information Technology Adjustment to expenditure allocations according to a zero-based annual review of information technology funding requirements and priority analyses.	0.00	(10,854)	-
Revised Revenue Adjustment to reflect Fiscal Year 2016 revenue projections.	0.00	-	(5,000)
Total	2.00	\$ 285,171	\$ (5,000)

Expenditures by Category

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
PERSONNEL				
Personnel Cost	\$ 2,082,621	\$ 2,273,952	\$ 2,465,347	\$ 191,395
Fringe Benefits	1,509,281	1,447,434	1,533,866	86,432
PERSONNEL SUBTOTAL	3,591,903	3,721,386	3,999,213	277,827
NON-PERSONNEL				
Supplies	\$ 31,350	\$ 10,754	\$ 20,791	\$ 10,037
Contracts	153,698	150,971	150,077	(894)
Information Technology	73,097	196,178	185,324	(10,854)
Energy and Utilities	20,798	25,306	31,272	5,966
Other	3,002	4,800	7,889	3,089
Transfers Out	2,360	-	-	-
NON-PERSONNEL SUBTOTAL	284,306	388,009	395,353	7,344
Total	\$ 3,876,208	\$ 4,109,395	\$ 4,394,566	\$ 285,171

Revenues by Category

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Charges for Services	\$ (700)	\$ 5,000	\$ -	\$ (5,000)
Other Revenue	117	-	-	-
Total	\$ (583)	\$ 5,000	\$ -	\$ (5,000)

Personnel Expenditures

Job Number	Job Title / Wages	FY2014 Budget	FY2015 Budget	FY2016 Adopted	Salary Range	Total
FTE, Salaries, and Wages						
20000024	Administrative Aide 2	1.00	1.00	1.00	\$42,578 - \$51,334	\$ 81,912
20001035	Associate Budget Development Analyst	10.00	11.00	10.00	59,467 - 71,864	\$ 718,170
20001101	Department Director	1.00	1.00	1.00	59,155 - 224,099	\$ 170,000
20001168	Deputy Director	2.00	2.00	1.00	46,966 - 172,744	\$ 146,000

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Personnel Expenditures (Cont'd)

Job Number	Job Title / Wages	FY2014 Budget	FY2015 Budget	FY2016 Adopted	Salary Range	Total
20000924	Executive Secretary	1.00	1.00	1.00	43,555 - 52,666	51,876
90001073	Management Intern - Hourly	1.00	1.00	1.00	24,274 - 29,203	24,274
20001234	Program Coordinator	0.00	4.00	6.00	23,005 - 137,904	630,000
20001036	Senior Budget Development Analyst	10.00	9.00	11.00	65,291 - 78,936	843,086
20001037	Supervising Budget Development Analyst	4.00	0.00	0.00	73,445 - 88,982	-
	Budgeted Vacancy Savings					(59,467)
	Overtime Budgeted					65,000
	Sick Leave - Hourly					200
FTE, Salaries, and Wages Subtotal		30.00	30.00	32.00		\$ 2,465,347
		FY2014 Actual	FY2015 Budget	FY2016 Adopted		FY2015-2016 Change
Fringe Benefits						
	Employee Offset Savings	\$ 29,863	\$ 34,899	\$ 30,494		\$ (4,405)
	Flexible Benefits	199,670	209,883	274,676		64,793
	Insurance	226	-	-		-
	Long-Term Disability	16,646	7,599	7,822		223
	Medicare	30,690	32,030	34,807		2,777
	Other Post-Employment Benefits	166,904	163,782	176,580		12,798
	Retiree Medical Trust	1,105	977	2,022		1,045
	Retirement 401 Plan	2,664	1,895	3,249		1,354
	Retirement ADC	891,335	860,591	814,218		(46,373)
	Retirement Offset Contribution	64	-	-		-
	Risk Management Administration	24,793	25,569	31,500		5,931
	Supplemental Pension Savings Plan	99,712	97,667	129,001		31,334
	Unemployment Insurance	5,710	4,354	4,490		136
	Workers' Compensation	39,900	8,188	25,007		16,819
Fringe Benefits Subtotal		\$ 1,509,281	\$ 1,447,434	\$ 1,533,866		\$ 86,432
Total Personnel Expenditures					\$	3,999,213