TO: HONORABLE CITY COUNCIL

ATTN: FINANCE COMMITTEE

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: FEBRUARY 5, 2002 CMR:137:02

SUBJECT: 2001-02 ADJUSTED BUDGET – MIDYEAR AMENDMENTS AND CAPITAL IMPROVEMENT PROGRAM STATUS

REPORT IN BRIEF

The current economic downturn has prompted an extensive review of the City’s 2001-02 Budget. This six-week review, termed “Strengthening the Bottom Line” (SBL) by the City Manager, resulted in identifying revenue increases and expenditure reductions at all levels of the organization. Staff presented its SBL Action Plan to the Finance Committee on December 4, 2001 (CMR:439:01) and at that time identified a revenue reduction of $6.3 million. Subsequent to this presentation, the worsening financial situation has increased the revenue shortfall to $8.2 million. The three primary contributors to the revenue shortfall include sales tax ($4.6 million reduction this year, 18%), transient occupancy tax ($3.2 million reduction, 31%), and documentary transfer tax ($2.0 million reduction, 43%). $1.2 million in new revenues have been incorporated into this report.

General Fund expenditure reductions are proposed to offset revenue shortfalls. The expenditure reductions as presented in the December 2001 SBL Action Plan total $5.1 million. The three main expenditure reduction categories include: salaries and benefits ($2.0 million, 3%), allocated charges ($1.2 million, 11%), and operating transfers-out ($1.3 million, 11%). Staff recommends the City Council approve additional “Tier 2” measures as outlined in the SBL Action Plan to fund a majority ($2.7 million) of the $3.1 million remaining funding gap. These include recognizing additional landfill rent ($1.0 million), freezing an additional five positions ($0.5 million), recognizing a FEMA reimbursement ($1.0 million), and terminating the UUT rebate ($0.3 million) effective April 1, 2002.
Enterprise Fund revenues are decreasing by $18.0 million primarily due to a reduction in gas and electric sales revenues resulting from reduced energy consumption and conservation efforts. Enterprise Fund expenditures are decreasing by $8.7 million, mainly from reductions in gas commodity purchases and operational cost reductions. Proposed changes to the Municipal Fee Schedule and two gas and electric rate schedules are also discussed. The Capital Improvement Program project status concludes the report.
RECOMMENDATION
Staff recommends that the City Council approve the following:

1. Adopt the attached Budget Amendment Ordinance (Attachment 1), which includes:
   a. Proposed midyear adjustments to the 2001-02 Budget for the General Fund, Enterprise Funds, Special Revenue Funds, Internal Service Funds, Debt Service Fund, and Capital Improvement Fund (Exhibit A).
   b. All changes detailed in “2001-02 CIP Midyear Adjustments” (Exhibit B).
   c. Amendments to the 2001-02 Adopted Municipal Fee Schedule (Exhibit C).

2. Utility Rate Schedule Resolution to amend electric and gas rates, aggregating rates paid by the City into a lower cost class (Attachment 2)

The 2001-02 midyear Capital Improvement Program Projects Status Report is attached as an informational item (Attachment 3). A list of continuous projects follows this summary (Attachment 4). No action is required on these two items.

BACKGROUND
This report summarizes the changes to the 2001-02 Adopted Budget resulting not only from the Strengthening the Bottom Line (SBL) Action Plan as presented to the Finance Committee (CMR:439:01) on December 4, 2001, but also from other miscellaneous adjustments. These other adjustments are part of the normal course of business and, when possible, are combined into the midyear report to streamline the BAO process year-round. This discussion is categorized by fund with a primary focus on major changes in the General Fund. Details of these changes, as well as all fund summaries, are included in Exhibit A. The midyear CIP project status report (Attachment 4) provides the Finance Committee with information on the status of the City’s CIP projects as of November 30, 2001.

DISCUSSION
Despite the ongoing economic downturn, the City remains in a strong fiscal position. As previously reported to the Finance Committee, the City Manager has engaged staff in a citywide retooling of the 2001-02 fiscal year budget called “Strengthening the Bottom Line” or SBL. The current economic downturn has resulted in a significant reduction in projected revenues, requiring an across-the-board review of program and project budgets. Further deterioration in revenues since the December 4, 2001 presentation to the Finance Committee has resulted in additional proposed revenue increases and expenditure cuts which, if not adopted, will result in the use of the Budget Stabilization Reserve (BSR) to fund approximately $2.4 million in expenditures in the current year. These additional funding measures are discussed at the end of this report.
General Fund
The following is a summary of major revenue and expenditure adjustments as detailed in Exhibit A. All comparisons are made from the 2001-02 Adopted Budget.

Revenues: (reduced $8.2 million, 6%)
City revenues continue to show significant weakness. Recently received sales tax data for the third calendar quarter (July through September) show receipts down 25 percent compared to the exceptionally strong prior year quarter. Preliminary information from the Stanford Shopping Center and Downtown merchants indicates a soft fourth quarter. Transient occupancy taxes (TOT) and documentary transfer tax revenues also continue to be soft. Revenue adjustments in this report are higher that those anticipated in the initial SBL effort as a result of staff having more actual fiscal year data to project annual revenues. Most economists believe the economic decline has reached a bottom and expect conditions to improve gradually with an upturn in the third calendar quarter. Based on this information, staff believes that the City’s revenue picture will begin to improve toward the end of this fiscal year.

- **Sales and Use Tax** *(reduced $4.6 million, 18%)* The projected shortfall in sales tax revenues results from the severe downturn in the Silicon Valley economy. Layoffs in high technology, the dramatic decline in consumer confidence, and the elimination of dot-com firms have led to a cutback in new automobile, electronic equipment, computer, and other retail purchases. Sales taxes in the 3rd calendar quarter were significantly below the prior year quarter.

- **Property Tax** *(increased $0.6 million, 5%)* Property taxes are expected to exceed budget based on the appreciation of property in prior years. These receipts are negatively affected only when residential and commercial property owners successfully appeal the assessed value of the property upon which they are taxed. To date, there is no indication of significant property tax appeals and since there is significant lag time before economic downturns cause such appeals, staff does not anticipate any adverse effects, if any, until next fiscal year.

- **Transient Occupancy Tax** *(reduced $3.2 million, 31%)* The business downturn and events of September 11 have severely affected hotel tax receipts. Occupancy rates have tumbled from an average of 73 percent in 2000-01 to an average of 57 percent in 2001-02. The occupancy rate in September hit a low of 51 percent. Hoteliers have reduced their room rates by around $20 per day and are offering special discounts. Annual TOT revenues are expected to decline for the first time in nine years.

- **Utility Users Tax** *(reduced $1.0 million, 14%)* As a result of decreased business activity UUT telephone revenues have dropped and are expected to fall $0.4 million below budget. Conservation efforts, commercial vacancies, and warm weather have caused a
sharp decline in electricity and gas usage, negatively affecting City UUT utility revenue by around $0.6 million.

- **Other Taxes and Fines (reduced $1.5 million, 16%)** This reduction primarily results from an expected decline of $2.0 million in documentary transfer taxes. A steep drop in commercial property sales and the sluggish residential market have cut these revenues by nearly half. Offsetting this somewhat are higher parking violation and fine revenue which is anticipated to exceed budget by $0.4 million by year-end.

- **Charges for Services (increased $0.4 million, 13%)** This increase results from actual fee revenues being ahead of budget, as well as additional fees as noted in the Municipal Fee Schedule section of this report. The largest of which is the 2000-01 yearend adjustment for Stanford University ($340,300).

- **Rental Income (increased $0.5 million, 5%)** This increase is a one-time payment from the Refuse Fund, and represents a partial payment on the previously discussed accumulated landfill rent due to the General Fund (CMR:181:95 of March 21, 1995). After this payment the amount remaining due is $6,768,744 and will be paid as the Refuse Fund’s finances allow.

- **Other Revenue (increased $0.5 million, 5%)** This increase is made of various one-time grants and small increases in ongoing revenues. Examples include: $30,000 Stanford Shuttle grant; $42,000 shuttle funding from School District; $16,000 Art Center grant; $36,000 library grant; and $20,000 bus shelter ad revenues.

- **Operating Transfers-In (increased $0.3 million, 2%)** This increase is from the Capital Fund, and reflects unspent prior-year project budgets, including: $150,000 from postponing the waterproofing of the Civic Center plaza; $72,400 as repayment of funds advanced to parking structures (CIP 19530); $20,000 from the Council Chambers renovation project (CIP 19625); and $26,000 for closing a Police Department communications equipment project (CIP 19916).

Expenditures: (reduced $5.1 million, 4%)

- **Salaries & Benefits (net reduction $2.0 million, 3%)** This savings is comprised of three main elements:
  1. $1.5 million reduction in PERS costs: This reduction is short-term in nature and results from a temporary suspension in payments for the City’s payment of the 7% employee share of the benefit. Currently, the City is “super-funded”—in other words, due to large returns from the PERS portfolio, we have paid more into the retirement system than required. It is projected this cost reduction could continue into 2002-03.
  2. $1.0 million reduction due to hiring freeze and salary savings: The City Manager has implemented an informal hiring freeze since November 2001.
3. $0.5 million increase from the 2001-02 Management Compensation agreement: As presented to Council (CMR:377:01) on October 15, 2001, staff identified additional funding requirements for the Management compensation agreement. This expense will be ongoing in nature, with 2002-03 funding to be included in the pending budget preparations.

- **Contract Services** *(reduced $0.3 million, 2%)* This reduction is from a citywide revaluation of contract service expense. Much of this savings can continue into 2002-03.

- **Supplies and Materials** *(reduced $0.1 million, 3%)* This reduction is comprised mainly from office supplies and materials.

- **General Expense** *(reduced $0.2 million, 2%)* This catch-all expense category includes savings in such areas as travel ($63,000), boards and commissions ($20,000), special events ($32,000), telephone ($15,000). However, this citywide savings of $205,000 is partially offset by two new expenditures: $19,100 for the City’s share of the assessment for the new downtown parking structures (no revenue offset) and $36,000 for an increase in Congestion Management VTA fees (fully offset with Gas Tax transfer revenue).

- **Facilities & Equipment Purchases** *(reduced $0.1 million, 7%)* This citywide expense reduction is from delaying or eliminating discretionary office equipment, furniture, tools and equipment purchases.

- **Allocated Charges** *(reduced $1.2 million, 11%)* This savings is comprised of three main elements:
  1. $0.8 million reduction in vehicle replacement charges: This reduction reflects a freeze in the replacement schedule of the citywide fleet of vehicles. Staff has determined that this delay in replacement will not have a detrimental effect on operations. This cost reduction will continue into 2002-03 as economic conditions warrant.
  2. $0.3 million reduction in desktop computer replacement charges: This reduction represents a one year short-term freeze in the General Fund’s replacement schedule for desktop personal computers. Staff has determined that this delay will not impact operations and will continue into 2002-03 as economic conditions require.
  3. $0.1 million reduction in energy costs: By aggregating all City accounts into a newly proposed gas and electric rate schedule (Attachment 3), citywide energy costs should decrease approximately $200,000 annually. Some of the current year savings is offset by the City’s support of electrical retrofit work. The concept of negotiating a special large customer discounted rate came from the citywide SBL discussions, and will provide reduced energy expense for the City for years to come.
• Operating Transfers-Out *(reduced $1.3 million, 11%)* This savings is comprised of three main elements:
  1. $0.2 million reduction in transfer to Storm Drainage Fund: The amount of the General Fund transfer to the Storm Drainage Fund is being reduced from $1.1 million to $0.9 million in the current year. The Storm Drainage Fund met its reserve funding requirements in 2000-01 as established by its outstanding debt. This is a one-time cost savings.
  2. $0.4 million reduction in Capital Fund transfer: This expense cut is primarily from the Enterprise Funds taking on a greater share of expense in several citywide technology CIPs. The methodology, as agreed initially during the 2001-03 budget process, spreads the costs of the projects according to each fund’s expenditure budget—not by full time equivalent (FTE) staff, as included in the adopted budget. These savings will continue into 2002-03.
  3. $0.7 million reduction in Debt Service Fund transfers: A refinancing of the City Hall Certificates of Participation (COPs) to a lower interest rate accounts for this one-time savings. The majority of this amount represents the postponing of the current year’s principle payment into 2002-03. See the Capital Fund adjustment section for more details on this transaction.

Additional General Fund Changes
This midyear report includes an $8.2 million revenue reduction, mainly offset by expenditure cuts of $5.1 million as detailed in Attachment A. The resulting funding gap of $3.1 million must be offset by a mix of additional revenues, further expenditure reductions, or a draw on reserves. Staff recommends implementing $2.7 million in additional SBL “Tier 2” items as presented to the Finance Committee on December 4, 2001 as follows:

• **$1,000,000: Additional paydown on accumulated landfill rent.** This midyear report includes $500,000 in landfill rent, and staff recommends increasing this amount to $1,500,000. After this payment the amount remaining due is $5,768,744.

• **$500,000: Freeze additional five positions in fiscal 2001-02.** These positions are currently vacant and salary savings will be removed from department budgets, including: Senior Technologist (ASD), Office Specialist (Fire), Fire Inspector (Fire), Chief Communication Technician (Police), Office Specialist (Police).

• **$980,000: Pending FEMA payment.** This reimbursement is related to the 1998 floods and their associated expenses incurred by the City. The funds are expected to be received by the end of the fiscal year.

• **$250,000: Terminate the UUT Rebate.** While this rebate was designed with residents in mind, local businesses have consumed 70% of this program funding. It is important to note that this rebate is set to expire automatically, unless renewed, on June 30, 2002. Staff proposes to terminate this rebate effective on April 1, 2002, when the City Council
considers proposed gas rate reductions.

**Enterprise Funds**

Major operating fund issues are discussed below. Please refer to the detail fund summaries in Exhibit A for more information on these midyear changes and to the CIP section for a discussion of the changes in Enterprise CIP project funding. New lower gas and electric rates for City facilities are being proposed in this midyear report (Attachment 3).

- **Electric Fund** (Net reserve reduction of $6.3 million)
  
  *Revenues (reduced $8.7 million, 8%)* The fund experienced a drop in projected net sales revenue ($9.7 million), primarily due to a decrease in electricity consumption from conservation efforts as well as from the Accelerated Energy Efficiency Program (AEEP). $1.1 million of the reduction is due to a decrease in wholesale revenues resulting from the refinancing of underlying Calaveras debt by Northern California Power Association (NCPA), of which the City is a member.

  *Expenditures (reduced $2.4 million, 2%)* The fund has reductions in debt service ($2.6 million) and contract service ($0.8 million) expense. This is partially offset by additional expense in capital projects ($1.0 million).

- **Gas Fund** (Net reserve reduction of $3.6 million)
  
  *Revenues (reduced $9.1 million, 13%)* The fund experienced a drop in projected net sales revenues due to a drop in natural gas consumption from conservation efforts.

  *Expenditures (reduced $5.5 million, 13%)* Expenditures within the fund fell commensurate with the drop in consumption and consequent reduction in gas commodity expense.

- **Water Fund** (Net reserve reduction of $0.5 million)
  
  *Expenditures (increased $0.5 million, 2%)* Minor increases in general expense ($0.3 million) and CIP expense ($0.2 million) are needed.

- **Wastewater Collection Fund** (Net reserve increase of $1.9 million)
  
  *Expenditures (reduced $1.9 million, 9%)* Mainly due to a redesign in several capital projects, this fund is able to return money to its reserves.

- **Refuse Fund** (Net reserve reduction of $0.7 million)
  
  *Expenses (increased $0.7 million, 2%)* This fund has two main expenditure changes at midyear, including CIP expense ($0.1 million) and landfill rental expense to the General Fund ($0.5 million).
• Storm Drainage Fund  (Net reserve reduction of $0.2 million)
  Revenues (reduced $0.2 million, 5%) This fund met its bond service covenants in 2000-01 with appropriate reserve transfers from the General Fund. This $0.2 million transfer from the General Fund is no longer required.

Capital Improvement Program
CIP adjustments are summarized in Exhibit B, and fall into three basic categories: new projects, projects requiring additional appropriations, and other miscellaneous adjustments such as closing or reducing project appropriations.

New Projects or Increased Appropriations
• Cable Television Broadcasting Equipment—CIP10225: Completely funded by the Cable JPA Trust Fund, this new project will replace outdated cable broadcast equipment at City Hall. ($50,000 Cable JPA Trust Fund transfer)
• Mitchell Park Library Equipment—CIP 10226: Completely funded by a transfer from Building Systems Improvements—CIP 10103, this new project relocates the Police Adjudicator and Fire Department’s Office of Emergency Services from the current location within the Mitchell Park Library to new locations. ($85,000 CIP transfer)
• Park Facilities Improvements—CIP 10010: Additional appropriation from the Infrastructure Reserve (IR) to fund storm damaged fencing at El Camino park. ($85,000 IR Funding)
• Civic Center Infrastructure Improvements—CIP 10102: Additional appropriation to fund emergency repairs to the Civic Center plaza elevators. ($55,000 IR funding)
• Library Master Plan—CIP 10204: Additional appropriation to fund design and environmental compliance analysis expense. Also, original funding of $305,444 is being shifted from the General Fund Budget Stabilization Reserve (BSR) to the IR. ($335,000 IR funding)
• Bicycle Facilities Improvements—CIP 19524: Additional appropriation to purchase bicycle racks and modify underpass barriers. (21,200 TDA Grant funding)
• Homer Avenue Undercrossing—CIP 10121: Additional appropriation for project to recognize TFCA grant funding. ($150,000 TFCA Grant funding)
• Municipal Service Center Equipment Maintenance Facility—CIP 81101: Additional appropriation to build a public Compressed Natural Gas (CNG) dispenser and station. ($300,000 TFCA Grant funding)

Projects with Transfers or Budget Reductions
• As a part of the SBL analysis, staff reviewed the 2001-02 infrastructure projects to identify which could be delayed for one year. Due to key staff vacancies in Facilities Management, it was determined the following projects could not be completed by yearend and the funding could be returned to reserves.
  1. Americans with Disabilities—CIP 19309 ($150,000)
2. Mitchell Park Library Mechanical System Replacement—CIP 10221 ($210,000)
3. Fire Station Improvements—CIP 10104 ($174,000)
4. Civic Center Waterproofing—CIP 19512 ($150,000)

- Council Chamber Refurbishing—CIP 19625: The replacement of Council member chairs is removed from this project to save funds. ($20,000 returned to BSR)
- Roundabout Demonstration—CIP 10207: A suitable site has not been identified and the Transportation Division’s other work program priorities make this project infeasible to complete in 2001-02. ($30,000 returned to the Street Improvement Fund)
- Art in Public Places—CIP 18617: From the original $60,000 annual budget, staff recommends a 25 percent funding reduction. ($15,000 returned to BSR)
- Emergency Communications Equipment—CIP 19916: Equipment is not available at the present time to meet the needs of the project plan. ($25,947 returned to BSR)
- Downtown Parking Structure—CIP 19530: As reported in CMR:444:01, this midyear report includes budget adjustments associated with issuing the second series of the University Avenue Off-Street Parking Assessment District bonds, the non-parking area (S/L lot) Certificates of Participation (COPs), and the refinancing of the 1992 Civic Center Certificates of Participation. The adjustments include, for example, parking district assessments on downtown city-owned property required under Proposition 218, the reduction of Civic Center lease payments in 2001-02 due to refinancing existing COPs, and the adjustment of the capital project to reflect anticipated expenses for building the parking structures. In addition, remaining resources in the University Avenue In-Lieu Parking Fund will be transferred to the parking structure project to offset construction costs.

Enterprise Fund Capital Projects
Increased Appropriations:
- New Vehicles—CIP 0215: Additional appropriation to fund vehicle fabrication expense and materials invoice. Project will be closed after funding this expense. ($20,000 Electric Fund Distribution Rate Stabilization Reserve transfer)
- Natural Gas Back-up Generators—CIP 0121: Additional appropriation to fund final costs related to the installation of the back-up electric generators at the MSC. ($370,000 Electric Supply Rate Stabilization Reserve transfer)
- Foothills Pressure Regulating Valve Installations—CIP 0108: Additional appropriation to purchase additional water meters for project. ($150,000 Water Fund Rate Stabilization Reserve transfer)
- Fuel Truck—CIP 0219: Additional appropriation to fund extra costs related to the purchase of a fuel truck. ($25,000 Refuse Fund Rate Stabilization Reserve transfer)

Other Enterprise CIP Adjustments:
- Traffic Signals Upgrade—CIP 8930: $650,300 in grant revenue from the California Energy Commission is added to this project.
• **Wastewater Collection System—Projects 0003, 9913, 9914:** Project savings due to a change in design has resulted in a budget reduction. $2,250,000 in project expense is returned to the WWC Rate Stabilization Reserve.

**Other Funds**
- **Special Revenue Fund:** These adjustments, as noted in Attachment A, are necessary to recognize grant funding, certain CIP budget adjustments (Street Improvement Fund), and necessary parking structure bond financing transactions.
- **Debt Service Fund:** The refinancing of the Civic Center COPs is adjusted within this fund.
- **Internal Service Fund (ISF):** Nearly $2.3 million in budget reductions have been made within the ISFs, including the General Benefits and Insurance Fund ($1.5 million), the Technology Fund ($0.3 million), and the Vehicle Replacement and Maintenance Fund ($0.8 million). These expense reductions are then allocated back to operating departments via direct or indirect means.

**Amendments to the 2001-02 Adopted Municipal Fee Schedule**
Staff is proposing to amend the 2001-02 Municipal Fee Schedule (Exhibit C) to recognize the increased costs of providing various City services and to include changes that were inadvertently omitted when the schedule was developed. These adjustments will increase General Fund revenues by approximately $40,000 in 2001-02. Some of the fee changes include a new legal fee for large projects ($10,000); an increase in overdue library materials fee for adults ($10,000); and a new fee to remove graffiti ($4,400).

**2001-02 Midyear Capital Improvement Program Projects Status Report**
This report provides the Finance Committee with information on the status of the City's Capital Improvement Program (CIP) projects as of November 30, 2001. In the attached matrix (Attachment 4), all City departments have submitted information on their projects and commented on any issues which might cause a change in the scope or timing of the projects. Information in this report is intended to keep Council abreast of progress on all CIP projects that were open at the beginning of the 2001-02 fiscal year and on those projects which were added or completed during the current year.

The attached matrix categorizes CIP projects into minor projects (projects which can be completed within a one-year period) and multi-year projects (projects which have multi-year budgets and/or complex implementation schedules with identifiable phases). The projects status portion of the matrix identifies the phase the project was in as of November 30, 2001. Information on phases is intended to give Council a perspective on how much progress was made on a project. Three distinct phases are utilized, as follows:
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<th>Phase:</th>
<th>Activities:</th>
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<tr>
<td>Pre-Design</td>
<td>• Preparation of a feasibility study</td>
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<td>• Development of a master plan</td>
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<td>• Definition of a project scope</td>
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<td>• Preparation of an Environmental Impact Report</td>
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<td>Design</td>
<td>• Hiring a design consultant</td>
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<td>• Completion of project design</td>
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<td>• Soliciting bids or proposals</td>
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<td>Construction</td>
<td>• Acquisition of major equipment</td>
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<td>• Installation</td>
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<td>• Implementation of a project</td>
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The comment section of the matrix provides Council with information clarifying the status of certain projects.

In the attached matrix, projects are listed by department for the General Fund and by fund for the Enterprise and Internal Service Funds. Within each department or fund, the projects are ordered by project number, which includes the year of Council approval (year of approval is shown by the second two digits of the 5-digit project number or the first two digits of a 4-digit project number). The matrix also includes information on the total or accumulated budget for projects, the remaining budget as of the beginning of the fiscal year, the fiscal year expenditures through November 30, 2001, including commitments (encumbrances), and the remaining balance in the project budget as of midyear.

The matrix does not include "continuous" projects. These projects, such as water meter replacement, have no definitive beginning or end dates and receive ongoing funding to reflect the continuing replacement cycles or commitments. During the first half of 2001-02, progress was made on all of the "continuous" projects (Attachment 5).

**RESOURCE IMPACT**
Adoption of the attached ordinance will allow for adjustments to the fiscal year 2001-02 budget, along with the establishment of two new General Fund CIP projects. With the approval of this ordinance, the projected ending balance of the General Fund BSR is $23.1 million, a reduction of $2.3 million. The General Fund Infrastructure Reserve is projected to end with a balance of $22.2 million, a reduction of $0.8 million. The projected ending Rate Stabilization Reserve total for all Enterprise funds combined, declines by $9.3 million mainly due to a reduction in electric sales revenues. Staff has identified additional measures that, if approved, would eliminate the $2.3 million draw on the BSR at this time.
POLICY IMPLICATIONS
Staff recommends an early review of the UUT rebate policy as part of the midyear budget adjustment. Set to expire on June 30, 2002, the rebate was intended to benefit residents as an offset to increased electric and gas rates. However, local businesses have consumed 70% of the $0.7 million program funding through December 31, 2001. Staff proposes to terminate this rebate ninety days early, effective April 1, 2002.

ENVIRONMENTAL ASSESSMENT
This is not a project for purposes of the California Environmental Quality Act (CEQA).

ATTACHMENTS
Attachment 1: Budget Amendment Ordinance with the following exhibits:
   Exhibit A Fund Summaries and detail changes to the General Fund, Enterprise Funds, Special Revenue Funds, Internal Service Funds, Debt Service Fund and Capital Improvement Funds
   Exhibit B 2001-02 CIP Midyear Adjustments
   Exhibit C Amendments to the 2001-02 Adopted Municipal Fee Schedule
Attachment 2: Resolution amending electric and gas rates, aggregating rates paid by the City into a lower cost class
Attachment 3: 2001-02 Midyear Capital Improvement Projects Status
Attachment 4: List of Continuous Capital Projects

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