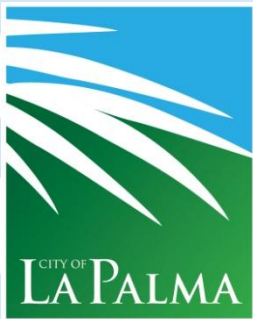


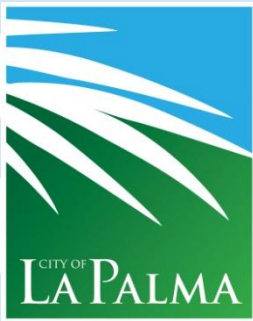
Fiscal Year 2013-14 Budget Study Session

*City Council Study Session
January 28, 2013*



Prelude

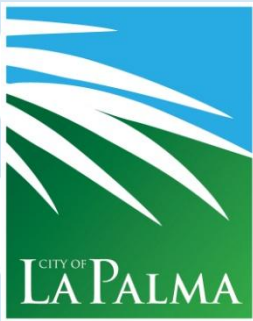
- Kick-off to Fiscal Year 2013-14 budget planning
- Update current financial picture, estimates and assumptions – both revenue and expenditure
- Open discussion of options, recommendations and outcomes-focused on General Fund
- Provide clear direction to begin budget development
- Major Milestones:
 - April 16: Capital Improvement Program presentation
 - May 7: General Fund budget overview
 - May 21: Proposed budget discussion
 - June 4: Consider adoption of FY 2013-14 budget



Overview



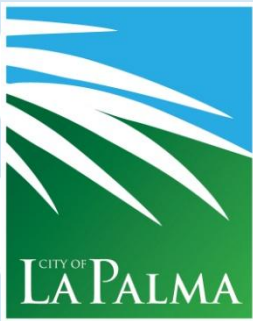
- Recommended Actions for Tonight:
 - Receive presentations on:
 - FY 2012-13 General Fund projected expenditures, revenues and fund balance
 - FY 2013-14 status quo General Fund budget projections
 - Receive and review Staff plan for development the FY 2013-14 General Fund budget
 - ***Provide direction on Staff plan and assumptions:***
 - ***Which recommended expenditure reductions, revisions to services revenue changes, and use of reserves should staff continue to develop into a draft FY 2013-14 budget to be presented to the City Council on May 7, 2013?***



FY 2012-13 Overview

- Anticipated loss of \$1.0 million in sales tax revenue
- September 18, 2012:
 - First round of budget reductions
- November 20, 2012:
 - Second round of budget reductions
- *\$450,000 plus cut from FY 2012-13 budget*
- *Utility User tax effective rate changed to 5%*



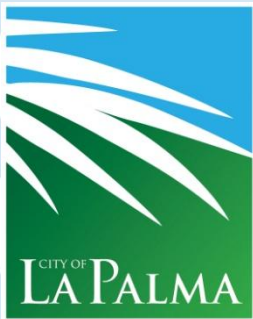


General Fund Overview

FY 2012-13

FY 2012-13 Projected Revenue*	\$ 9,302,600
<u>FY 2012-13 Projected Expenditures*</u>	<u>\$ (9,138,680)</u>
Operating Deficit/Surplus	\$ 163,920
<u>Transfer to COR</u>	<u>\$ (1,700,000)</u>
Increase / (Decrease) to Fund Balance	\$ (1,536,080)

**Preliminary mid-year revenue and expenditure projections, includes additional anticipated operating savings and increased revenue.*



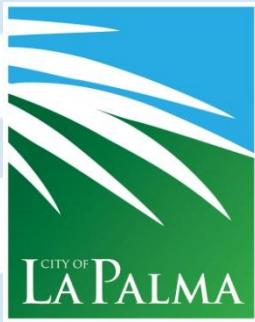
Fund Balance Status

FY 2012-13

Fund Balance, 06/30/2012 CAFR	\$ 14,746,953
Nonspendable*	\$ (915,758)
Assigned	\$ 4,541,983
Unassigned	\$ 9,289,212
Total Available Fund Balance	\$ 13,831,195
FY 2012-13 Projected Revenue**	\$ 9,302,600
FY 2012-13 Projected Expenditures**	\$ (9,138,680)
Transfer to COR	\$ (1,700,000)
Contribution To / (Use of) Reserves	\$ (1,536,080)
Projected Fund Balance 06/30/2013	\$ 12,295,115
06/30/2013 Fund Balance as % of Expenditures	134.5%
"Surplus" FB over 100%	\$ 3,156,435

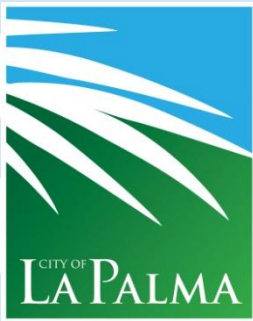
*Represents non-cash, long-term receivables, not available cash

** Preliminary, updated mid-year revenue and expenditure projections



One-Time Revenue in FY 2012-13

- Redevelopment dissolution:
 - Due Diligence Reviews (all former Community Development Commission funds)
 - Projected \$700,000 in unexpected, one-time revenue
 - \$379,000 received so far (January, 2013), deposit to General Fund (fund balance)
- Funds could be utilized for proposed infrastructure/technology investments, other one-time uses



FY 2013-14 General Fund Preliminary Gap Analysis

<i>Projected Fund Balance 06/30/2013</i>	\$	12,295,115
FY 2013-14 Preliminary Expenditures	\$	(9,344,880)
FY 2013-14 Estimated Revenues	\$	7,883,800
<hr/>		
Variance – Surplus / (Deficit)	\$	(1,461,080)
Transfer to COR	\$	400,000
<i>Projected Fund Balance 06/30/2014*</i>	\$	10,434,035
06/30/2014 Fund Balance as % of Expend		111.7%

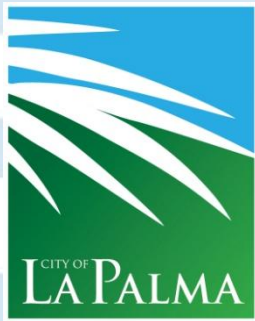
*June 30, 2013 fund balance net of deficit and transfer to COR



FY 2013-14 Assumptions

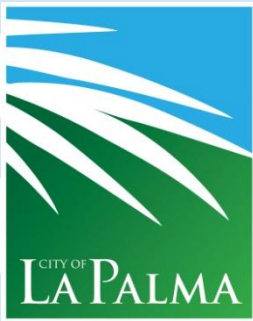
- Status quo FY 2013-14 budget developed using various expenditure assumptions:
 - All vacant positions (4.0 FTE) eliminated/not funded
 - Majority of FY 2012-13 reductions remain in place
 - Without contract reopeners, impact of employees picking up full share of retirement costs realized
 - Nets additional personnel savings even with assumption of 1.24% COLA effective July 1, 2013 per current MOUs
 - Recently released PERS rates (November, 2012) utilized for FY 2013-14, with PERS estimates used for FY 2014-15 planning purposes





FY 2013-14 Assumptions

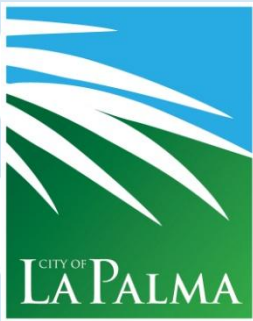
- Status Quo FY 2013-14 budget developed using various revenue assumptions:
 - Sales tax projections (per City’s consultants and adjusted accordingly by Staff) show loss of sales tax from City’s primary retail outlet
 - Modest revenue growth in all areas (except for sales tax):
 - 2.0% in secured property tax
 - Assumption that UUT will remain at 5% for FY 2013-14
 - Holding other revenue flat (charges for services, license and permits, fines and forfeitures, etc.)
 - Assumption of “residual” property tax from dissolution of redevelopment remains at FY 2012-13 levels (i.e., \$150,000)



Staff Plan

- Starting with the assumptions and status quo gap, utilize "Four R's" balanced approach to close the gap
 - Reductions in Services
 - Revisions to Operations
 - Revenue enhancements
 - Use of Reserves
- Overview of each approach presented next
 - Details provided in Attachments to staff report



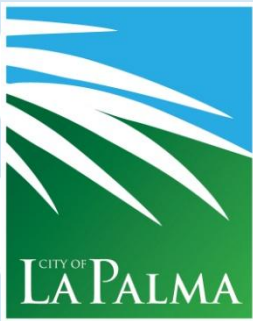


Reductions to Services – In Addition to FY 2012-13

•Proposed REDUCTIONS to Services and REVISION to Operations total **\$1,222,350**

	REDUCTIONS	REVISIONS	TOTAL
CITYWIDE		182,400	182,400
INTERNAL SERV FUND ALLOCATIONS		461,100	461,100
ADMINISTRATION*	12,000	(4,400)	7,600
COMMUNITY DEVELOPMENT*	82,000	(37,350)	44,650
FINANCE		2,000	2,000
POLICE	79,000	215,000	294,000
PUBLIC WORKS	26,800		26,800
REC & COMMUNITY SERVICES	203,000	800	203,800
TOTAL REDUCTIONS & REVISIONS:	\$402,800	\$819,550	\$1,222,350

**Estimated savings in these departments are net of expected expenditures for proposed changes, see detailed description in Attachment 2 of agenda staff report.*



Reductions to Services – In Addition to FY 2012-13



Administration	\$	12,000
Community Development	\$	82,000
Police	\$	79,000
Public Works	\$	26,800
Recreation and Community Services	\$	203,000
<hr/>		
TOTAL PROPOSED REDUCTIONS:	\$	402,800



Revisions to Operations – In Addition to FY 2012-13

Department Specific

Administration*	\$	(4,400)
Community Development*	\$	(37,350)
Finance	\$	2,000
Police	\$	215,000
Recreation and Community Services	\$	800
DEPARTMENT PROPOSED REVISIONS:		\$ 176,050

Citywide

Suspension of Merit Increases (as of 07/01/2013)	\$	32,400
Energy Savings	\$	150,000
One-Time Reduction of Internal Service Fund Allocations	\$	461,100
CITYWIDE REVISIONS:		\$ 643,500

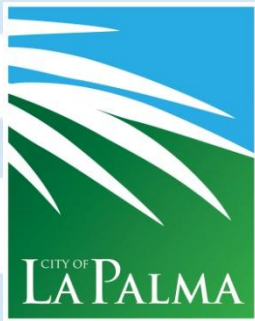
GRAND TOTAL: \$ 819,550

**Estimated savings in these departments are net of expected expenditures for proposed changes, see detailed description in Attachment 2 of agenda staff report.*



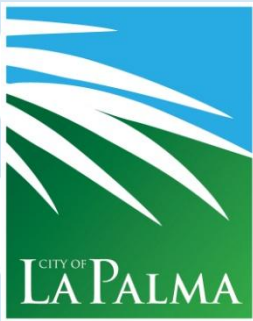
Internal Services Funds

- Proposed one-time reduction in allocation to three internal service funds:
 - Building Maintenance
 - Vehicle Maintenance/Replacement
 - Computer Maintenance
- Reduce reserves in each fund to where they should be based on their purpose and projected activity
 - Annual needs can be met
 - Retain sufficient reserves to address contingencies
 - Attachment 3 provides analysis



Revenue Enhancements – Focus on City Council/Staff controlled

Increased interest earnings	\$10,000
AB 939/Refuse Fee (45 cents month)	\$24,500
Increased Corporate Connection Funding	\$6,000
Fee revisions	\$50,000
Summer Concerts Food Trucks/Beer & Wine	\$5,000
Additional / alternative advertising (bus shelters)	\$40,000
<hr/>	
	\$135,500



Use of Reserves

Reserve for triple-flip over allocation	\$	(325,000)
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One-Time Infrastructure / Technology Projects

Purchase of Street Lights from SCE	\$	(600,000)
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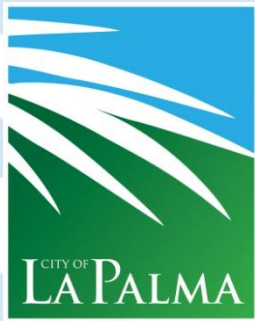
Replace City Hall/Police Roof	\$	(500,000)
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Energy Capital Projects	\$	(1,280,000)
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Technology Upgrades (Police)	\$	(190,000)
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City Council Goals “Start Up” Costs	\$	(60,000)
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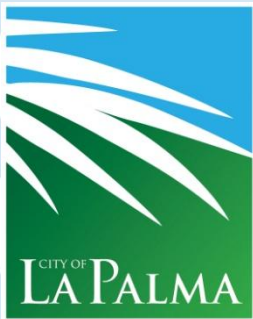
Total Infrastructure / Technology	\$	(2,630,000)
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Use of Reserves - Overview

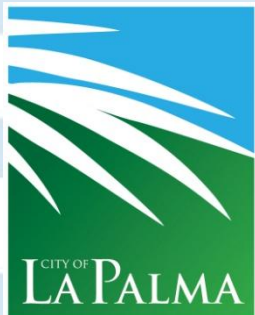
- Investment of reserves yields annual operating savings
 - Technology and/or Infrastructure upgrades
- Staff received preliminary reports from MuniFed and Chevron
 - Purchase of street lights from SCE
 - Facility energy savings projects
 - Potential for \$150,000 annual operating savings
- City Council goals “start up” costs
- One-year subsidy for COR transfer of \$100,000





Use of Reserves – City Council Goals

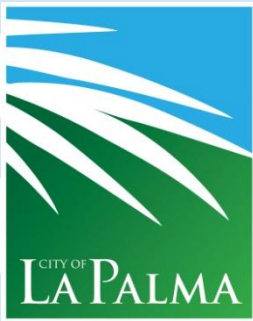
- Proposed one-time use of reserves to fund City Council goals
 - i.e., “start up” costs of \$60,000
- *Attract and Retain Businesses*
 - \$44,000 estimate for updating/implementing economic development action plan and possible loan/grant programs
- *Implement Engagement/Outreach Plan*
 - \$16,000 for statistically valid community survey and minor other financial strategy outreach costs



FY 2013-14 Gap Analysis

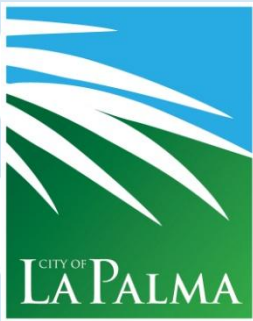
Proposed Expenditure Reductions / Revisions	\$	(1,222,350)
Proposed Revenue Enhancements	\$	135,500
One-Time Use of Reserves/Reduce Transfer to COR (“Bridge”)	\$	103,320
Estimated FY 2013-14 Expenditures	\$	8,122,530
Estimated FY 2013-14 Revenue	\$	8,019,300
Variance – Surplus / (Deficit)	\$	0
Transfer to COR	\$	(400,000)
Triple-Flip Over-Allocation	\$	(325,000)
City Council 2013 Goals (“Start-up”)	\$	(60,000)
Investment of Reserves (One-Time Use)	\$	(2,570,000)
Projected Fund Balance 06/30/2013	\$	12,295,115
Projected Fund Balance 06/30/2014*	\$	8,940,115
06/30/2014 FB as % of Expend		110.1%

*Net of FY 2013-14 one-time use of reserves for COR transfer, triple-flip over-allocation, infrastructure/technology investments and City Council Goals projects (start-up costs).

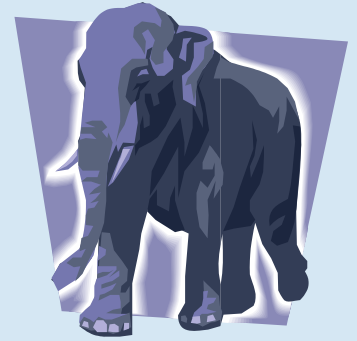


Staff Plan Outcomes

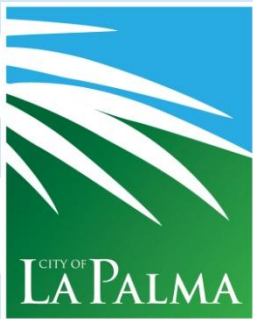
- More than \$1.222 million in savings identified
 - *84% of gap closed through service cuts and revisions to operations*
- Minimal reliance on additional (new) revenue
 - *9% of the solution from revenue*
- One-time use of reserves
 - *90% represents investment in infrastructure*
- *Projected fiscal year ending Fund Balance estimated at 110% of expenditures (\$8.940 million)*



Next Steps...



- **Tonight:** Staff receives direction on Staff Plan and recommended methods for addressing FY 2013-14 gap
- **Tomorrow:** Staff begins budget development for FY 2013-14, incorporating City Council guidance on each element of the Staff plan
- **The Day After Tomorrow:**
 - CIP, fees, GASB45 discussions over the next few months will impact proposed FY 2013-14 budget



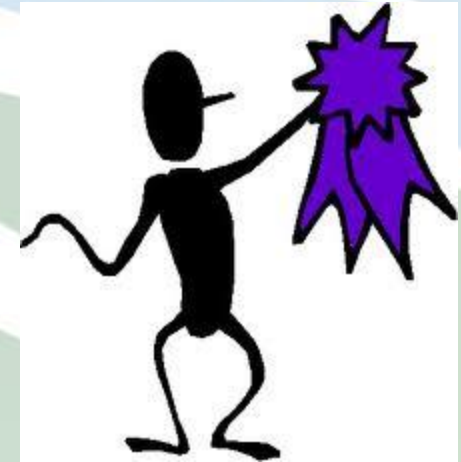
Next Steps...

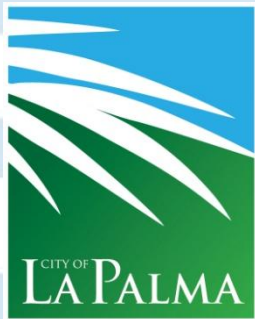
- **February 11:** Fees Work Session
- **February 19:** Mid-Year FY 2012-13 Review
- **April 16:** Staff presents to City Council proposed FY 2013-14 -FY 2018-19 Capital Improvement Plan (CIP) and preliminary General Fund Budget; Tentative Date for GASB 45 report
- **May 7:** Staff presents a draft City budget to the City Council
- **May 21:** Public hearing to discuss, review and modify the draft budget
- **June 4:** Public hearing to continue budget discussion if needed; proposed adoption of FY 2013-14 budget



Questions to Staff...

- Revenue and Expenditure General Assumptions
- Administration
- Community Development
- Finance
- Police
- Public Works
- Recreation and Community Services

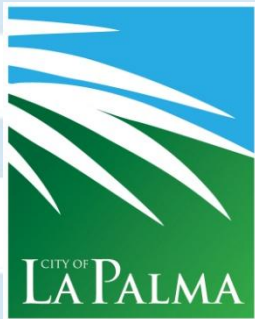




Questions to the City Council...

- **Revenue Questions**

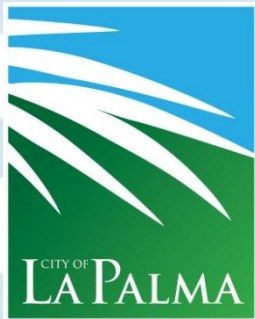
- Should staff continue to assume a Utility Users Tax (UUT) rate of 5% for FY 2013-14?
- Should staff further study placement of bus shelters/benches with an advertising company and expanding other advertising opportunities in City publications and websites?
- Should staff continue to explore food trucks and beer/wine gardens at Summer Concerts to make these events more self-supporting?
- Should staff work with the City's waste management contractor to implement AB939 charges of \$0.45 per customer per month?
- Should any/all of the additional property tax now returning to the City on an on-going basis from the dissolution of redevelopment be reserved for economic development or infrastructure purposes (vs. as a general fund unrestricted revenue as currently shown)?



Questions to the City Council...

- **Reduction in Service Questions**

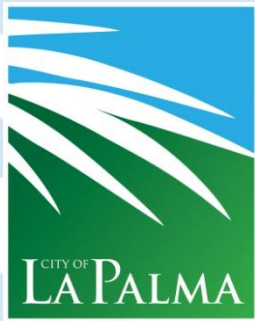
- Should staff continue to include FY 2012-13 budget reductions and restorations as indicated on Attachment 1 as part of the assumptions utilized to build the status quo FY 2013-14 budget?
- Are there reductions in services which are off the table?
- Should staff continue to include and explore projected new costs associated with implementation of the City Council 2013 goals?



Questions to the City Council...

- **Revised Operations Questions**

- Does City Council want to refer proposals for contracting out and/or reductions in personnel to staff for further study and for input from the affected employee organizations?
- Are there revisions to operations which are off the table?



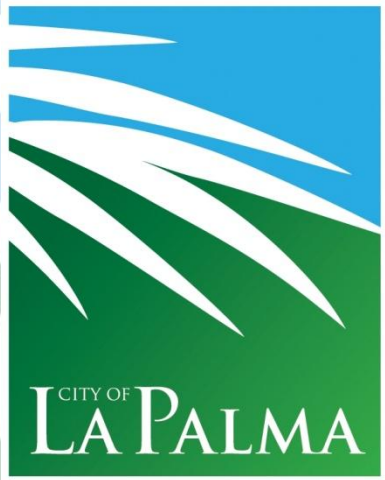
Questions to the City Council...

- **Use of Reserves Questions**

- Is the use of reserves over the amount specified by policy off the table?
- Should staff continue seeking refined cost proposals for using reserves for one-time investments in energy capital projects as outlined in Attachment 4?
- Is the use of reserves for one-time expenses (City Council goal start up costs, COR) to help bridge until labor negotiations and updated revenue projections are available off the table?
- Is the use of internal service fund excess fund balance for FY 2013-14 operations an acceptable strategy?



Additional Questions?



Fiscal Year 2013-14 Budget Study Session

*City Council Study Session
January 28, 2013*