

Budget Update

City Council Agenda

Item 15.4

August 23, 2011

Introduction

Objective

- ▶ Review Status of General Fund Budget
 - 2010-11
 - 2011-12
- ▶ Review List of Proposed Budget Amendments

Proposed Resolution

- ▶ Amend 2010-11 budget
- ▶ Approve various loan repayments



Getting Our Fiscal House In Order

- ▶ 2011 City Council Strategic Initiative
 - Business Analysis of City Funds and Programs
- ▶ Initial Results
 - Identified programs with deficits
 - Identified extensive “Inter-fund” borrowing
- ▶ Solutions
 - Fix operating deficits going forward
 - Address past deficits with one-time fund transfers

2010-11 General Fund Update

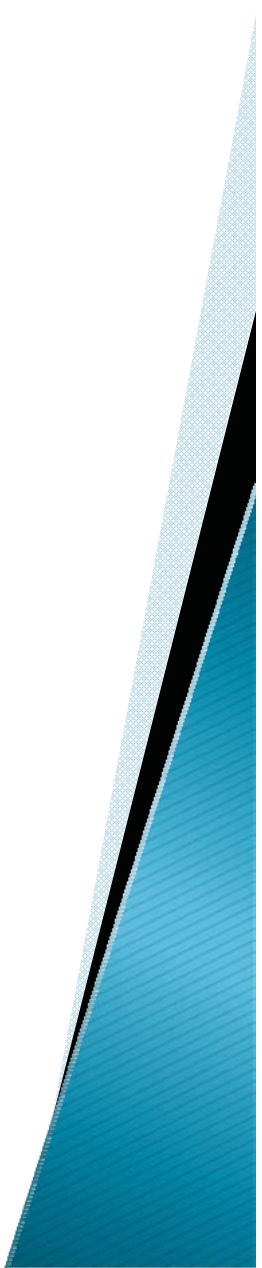
- ▶ Results are preliminary
- ▶ Net result of proposed transactions
 - End of year balance - \$722,000
 - 0.4% of annual operations
- ▶ Annual operating deficit continues
- ▶ One-time items proposed to maintain positive ending balance
- ▶ Solution still needed to address unsustainable inter-fund loans

2010-11 General Fund Projection

Beginning Balance	<u>\$ 1,198,000</u>
Operating Activity	
Revenues	163,766,250
Expenditures	(167,169,900)
Encumbrance/other reserves	<u>1,112,907</u>
	(2,290,743)
One-time items	
Fire District Collection Risk	(1,047,000)
Transfer to Compensated Absence Fund	(4,000,000)
Transfers to cover other program deficits	(2,055,000)
Transfer MUD loan to debt service fund	8,417,000
Parking Fund loan repayment	<u>500,000</u>
	<u>1,815,000</u>
	<u>(475,743)</u>
Net Annual Activity, including one-time items	<u>\$ 722,257</u>
Ending Balance	<u><u>722,257</u></u>

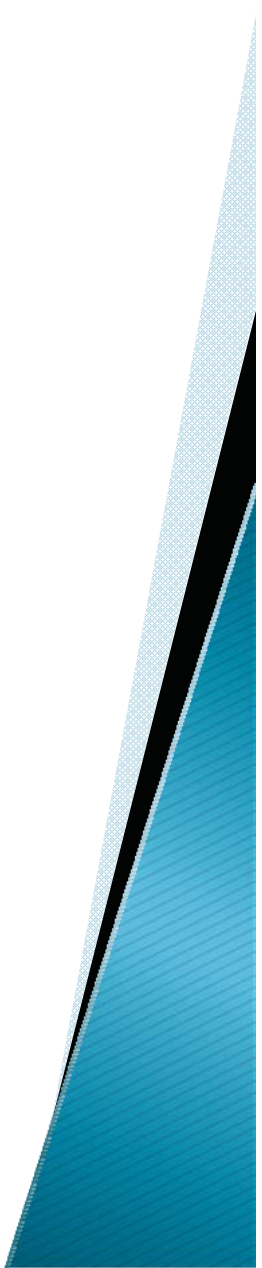


2011-12 General Fund Update

- ▶ Budget adopted June 21, 2011
 - ▶ Four Significant new events
 1. Assessed property value down 5%
 - \$2 million
 2. State elimination of Vehicle License allocation
 - \$1 million
 3. State dissolution of Redevelopment Agencies
 - Optional “Pay to Play” Opt-in payment – \$8 million
 - Appeal filed; State supreme court challenge
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2011-12 General Fund Update

4. Fire Arbitration Ruling

- Arbitrator has ruled on contract provisions
 - Fiscal Emergency issue still before the court
 - Arbitrator denied City ability to reduce 2010-11 wages
 - Tentative agreement settled 2010-11 disputes
 - Tentative agreement not ratified
 - City imposes 2011-12 compensation terms
 - Parties have 30 days to reach settlement agreement
 - Without agreement, Arbitrator will set damages
 - Potential General Fund Impact – \$4 million
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2011-12 General Fund Update

- ▶ Objective
 - Rebalance 2011-12 Budget
 - Property Tax/Vehicle revenue losses – \$3 million
- ▶ Approach
 - New and carryover grant funding
 - Measure vacancy savings from recent retirements
 - Revisit Plan A service reductions
- ▶ Pending
 - Settlement discussions with Fire
 - Redevelopment Appeal and Court stay

2010-11 Budget Actions

- ▶ Proposed resolution approves 16 budget amendments and loan repayments
- ▶ These actions continue to “clean-up” prior year deficits and inter-fund lending practices
- ▶ Continues steps to provide clarity on the underlying fiscal condition of the City
- ▶ There will be more. Additional recommendations are anticipated in coming months.

2010-11 Budget Actions

1. Appropriate labor negotiation costs
2. Recovery of fire district billings
3. Golf Fund operating deficit
4. Public Facilities Fee Admin Fund deficit
5. Cost Allocation for debt program
6. Compensated absences – leave buyouts for separated employees

2010-11 Budget Actions

7. Technology Internal Service Fund transfers
8. Development Services Fund – loans retired
9. Parking Enterprise Fund – loan retired
10. Marina Enterprise Fund – loan transferred
11. Capital Funds – Project transfers
12. Grant Fund – Program deficits (interest)

2010-11 Budget Actions

13. Public Facility Fee Loans
 - \$7 million unsustainable
 - Action on hold at this time
14. Measure K Funds – balance transfers
15. Wastewater – loan retirement
16. MUD/Jarvis Settlement – loan transfer

Next Steps

- ▶ 2010–11
 - Continue analysis of year-end results
 - Focus on valuation of accounts receivable
 - Address unsustainable Public Facility loans
- ▶ 2011–12
 - Implement operational changes to rebalance budget
 - Settlement discussion with Fire
 - Evaluate options for Redevelopment
- ▶ 2012–13
 - Update 3–5 year projection
 - Focus on tax revenues, labor cost, long-term debt

Recommendation

- ▶ Adopt a resolution approving amendments to the 2010–11 annual budget
- ▶ Approve various inter–fund transfers
- ▶ Approve settlement of inter–fund loans