Budget Update
2011–12 General Fund

City Council Agenda
Item 15.1
October 18, 2011
Objectives

- Update Status of 11–12 General Fund budget
  - Quarterly Update on Emergency Measures
- Review $3.9 million in known budget impacts
- Propose budget solutions to address shortfall
- Highlight ongoing General Fund risks
Getting Our Fiscal House In Order

- 2011 City Council Strategic Initiative
  - Business Analysis of City Funds and Programs
  - Budget Monitoring and Reporting

- Recap of Recent Budget Reports and Actions
  - May 17, 2011 – Declare second fiscal emergency
  - June 21, 2011 – Adopt 2011-12 budget
  - August 23, 2011 – Update/10-11 budget actions
  - October 18, 2011 – Update/11-12 budget actions
General Fund Update: $3.9 million shortfall

- **Lower revenue estimates – $3.2 million**
  - Property Tax/Assessed property values down 4.7%
    - $2.2 million property tax revenue shortfall
  - State eliminates last of Vehicle Fee allocations
    - $1 million VLF revenue shortfall

- **Higher cost estimates – $0.7 million**
  - Re-pricing Fire overtime for updated vacation policy
    - Align leave usage with new caps on vacation accruals
    - Limits accumulation of large payouts due at separation
    - Requires higher annual leave usage and OT backfill
Proposed Budget Amendment
$3.9 million solutions

- $1.9 million – New/carryover grant sources
  - $347K – State grant for hospital impacts
  - $200K – Peacekeepers
  - $604K – JAG and COPS carryover
  - $742K – Measure W labor re-priced/Plan B terms
  - Newest police grant not yet reflected
- $0.8 million – Vacancy savings (partial year)
- $0.2 million – Service reductions
  - Public Works fund shifts and CIP cancelations
- $1.0 million – From $2.0 million contingency
Net Results

- **2011–12 General Fund budget remains balanced for known budget impacts**
  - $3.9 million of impacts offset by proposed revenue and expenditure solutions
  - Budget would not be balanced without fiscal emergency and imposed labor terms
  - $158 million budget retains $1 million contingency
    - Less than 1% of budget
  - 5–15% reserve is industry recommendation

- **Additional General Fund risks are developing for 2010–11, for 2011–12, and for 2012–13**
Ongoing Challenges and Risks

- **2010–11 Ending Balance Risk**
  - Accounts receivable valuation
  - Inter-fund Public Facility Fee loans ($7 million)

- **State Elimination of Redevelopment Agencies**
  - General Fund risk $2 – 6 million

- **2011–12 balanced with short term solutions**
  - $3.9 million shortfall is ongoing

- **County Teeter Program – Assessments**
  - 2012–13 General Fund revenue risk – $2 million

- **Labor Contracts and Concessions expire 6–12**
  - SPOA and SCEA – fiscal emergency impositions
Next Steps

- **2010–11**
  - Continue analysis of year-end results
  - Return to City Council with proposed actions

- **2011–12**
  - Implement operational changes from today’s action to rebalance budget
  - Evaluate options for Redevelopment

- **2012–13**
  - Update 4 year “base-line” projection
  - Focus on tax revenues and labor costs
  - Identify budget “gap” and start to identify solutions
Today’s Recommended Action

- Adopt resolution to amend 2011–12 budget