



IBA Review of the FY 2013 May Revise and Recommended Revisions to the FY 2013 Budget

June 11, 2012

Overview of May 23rd Revise Significant Revenue Revisions



- IBA agrees with May Revise proposal to increase TOT and sales tax estimates for FY 2013 by \$2.1m
 - Our proposal includes conservative increases to both categories for additional \$1.4m
- IBA agrees with May Revise to reduce property tax revenue projections by \$2.0m
 - Our review of the Mayor's Proposed Budget noted the property tax forecast was a risk to the budget assumptions
 - In our latest report we again noted this revenue category remains vulnerable and needs to be closely monitored

Overview of May 23rd Revise

Significant Expenditure Revisions



- Mayor's May Revise additions closely align with Council budget priorities resolution
- Significant new expenditures include:
 - An increase in Police recruits from 25-30 for all four academies
 - Second Fire Academy
 - Restoration of the Graffiti Removal Team
 - An additional 3 hours of service at all branch libraries (41 to 44 weekly hours)
 - Five Saturday hours at Central Library
 - Funding for the Neil Good Day Center
 - An increase in community plan update funding for a total of \$670,000

Overview of May 23rd Revise



- The Mayor also included City Council's action of March 12, 2012 to utilize \$8.3m of the FY 2012 surplus to increase cash funding for deferred capital from \$45.8m to \$54.1m
 - This achieves the “status quo” cash funding category of deferred capital
 - Increases total funding for all deferred capital needs to \$129.1m for FY 2013

Overview of May 23rd Revise



- IBA agrees with May Revise recommendations to increase our reserves:
 - Support establishing an Appropriated Reserve of \$3.7m and preserving projected TOT fund balance of \$10.7m for mitigating impacts of redevelopment dissolution
 - Support achieving a General Fund Reserve of \$118.9m which is 10.3% of GF revenues
 - City's multi-year commitment to increasing reserves was called out recently by Moody's, Standard & Poor's and Fitch rating agencies as a positive action

Council Budget Priorities Resolution Reflected in FY 2013 Budget



PRIORITY AREA		PROPOSED BUDGET	MAY REVISE	IBA PROPOSED	COMMENTS
FUNDING OF PUBLIC SAFETY					
1.	Restoration of civilian positions within Police Department			√	Police Department to address their five-year staffing plan at PS&NS July 2012, IBA proposal includes five positions hired January 2013
2.	Support for increasing 15 Police recruits in the April 2012 academy				Funded in FY 2012 Budget
3a.	Support for increasing Police recruits/academies		√		Increased from 25 to 30 recruits for FY 2013 for four academies
3b.	Support for increasing Fire-Rescue recruits/academies	√	√		One new academy funded in Proposed Budget, second academy in May Revise
4.	Restoration of previous Lifeguard cuts			√	IBA proposal includes three positions
5.	Additional funding for the Neighborhood Code Compliance program if unable to achieve desired service levels		√		Existing Graffiti program funding was eliminated in Proposed Budget but restored in May Revise
6.	Implement recommendations included in Citygate Report for additional Fire-Rescue resources				See Item 7. Other recommendations will require multi-year funding
7.	Investment of \$2.7 million in the fire alert system				Funded in FY 2012, part of Citygate recommendations

Council Budget Priorities Resolution Reflected in FY 2013 Budget



PRIORITY AREA		PROPOSED BUDGET	MAY REVISE	IBA PROPOSED	COMMENTS
CONTINUED RESTORATION OF SERVICE LEVELS					
8.	Maintain and increase the hours restored for Park & Recreation and Library	√	√		FY 2012 restorations continued in FY 2013 for both; and additional 3 Library hours funded in May Revise for branch libraries, 5 hours for Central Library
9.	Aggressively address vacancies in Library and Park & Recreation				Underway by departments
10.	Continue reforms and efficiencies in all departments	√			
11.	Evaluate alternative service models for branch libraries				Under study by the Business Office, per Councilmember Zapf's memo IBA will work with the Mayor's Office on this matter
INVESTMENT IN STREETS AND PUBLIC ASSETS					
12.	Increase funding for deferred capital projects	√			Five-Year Funding Plan adopted by Council and included in FY 2012 and FY 2013 budgets
13.	Include up to \$8.3 million from FY 2012 surplus for additional cash funding for deferred capital projects		√		Deferred capital cash funding increased from \$45.8 million in Proposed Budget to \$54.1 million in May Revise per Council action

Council Budget Priorities Resolution Reflected in FY 2013 Budget



PRIORITY AREA		PROPOSED BUDGET	MAY REVISE	IBA PROPOSED	COMMENTS
NEW INNOVATIONS AND PARTNERSHIPS					
14.	Continued use of volunteers to supplement City services	√			New Volunteer Coordinator position funded in FY 2013
15.	Find public / private partnerships that would benefit the City through cost savings and efficiencies				
16.	Expansion of City services online for businesses and individuals	√			Positions added in Treasurer's Office to implement online permitting in FY 2013
17.	Convert work hour shifts to 4/10 or 9/80 for non-public safety positions				ESD has achieved significant savings through 4/10 largely through more efficient collections routes, studies may be necessary in other departments before implementing
18.	Continue managed competition processes	√			General Fund savings of \$3.4 million included in FY 2013 for Fleet, Street Sweeping and Publishing Services
19.	Continuation of marketing partnership program for new revenue sources	√			\$600,000 revenue included, wi-fi a new area of focus for FY 2013

Council Budget Priorities Resolution Reflected in FY 2013 Budget



PRIORITY AREA		PROPOSED BUDGET	MAY REVISE	IBA PROPOSED	COMMENTS
ECONOMIC DEVELOPMENT REPLACEMENT					
20.	Funding for sufficient resources to allow neighborhoods to establish special assessment districts or other initiatives			√	IBA proposal includes \$250,000 in seed money for neighborhood redevelopment initiatives
21.	Fund community plan updates		√		\$670,000 in General Funds budgeted in FY 2013
22.	Reduce permit fees for responsible businesses				
23.	Continue to provide opportunities for local green businesses				LU&H amendment to Council Policy 600-27 increases incentives for sustainable energy projects
ONE-TIME EXPENDITURE ITEMS					
24.	Funding for a new Fire-Rescue multi-purpose rescue boat	√			Lease purchase of three vehicles funded in FY 2013
25.	Funding of approximately \$550,000 for the Neil Good Day Center for homeless services		√	√	\$300,000 in May Revise, IBA proposal includes \$250,000
26.	Prioritize the implementation of the Supplier Relationship Management module in SAP	√			\$900,000 carried over from FY 2012, transferred to IT Department for same use, report to B&FC June
27.	Implement a full bidder registration system beyond SRM				P&C to report to B&FC on status in June 2012
28.	Funding for new Police Department technologies	√			Pawn shop enforcement technologies underway

IBA Recommended Budget Revisions



- IBA recommendations are developed from:
 - Councilmember budget priorities memos
 - Issues raised by the public and Council at Council budget hearings
 - IBA review of the Mayor's Proposed FY 2013 Budget and the FY 2013 May Revise
 - IBA review of the FY 2012 Year-End Report
 - Discussions with management and departmental staff

IBA Recommended Budget Revisions - Ongoing



IBA Recommended Revisions for Ongoing Expenditures and Resources	
<i>Resources</i>	
Increase TOT growth from 5% to 5.5%	739,000
Increase sales tax growth from 5.7% to 6.0%	619,000
<i>Total</i>	<i>\$1,358,000</i>
<i>Expenditures</i>	
5 Police civilians (half year)	212,000
3 Relief Lifeguards	291,000
Lifeguard wellness program	81,000
Economic Development Seed Money	250,000
Teen Nights (May/June 2013)	40,000
Library Circuit - Councilmember Zapf funding of \$75,000	0
Internal Controls Audit	0 - 150,000
Auditor Software, close out audits	77,000
<i>Total</i>	<i>\$951,000 - \$1,101,000</i>
<i>Remaining Funding</i>	<i>\$257,000 - \$407,000</i>

IBA Recommended Budget Revisions – One-Time



IBA Recommended Revisions for One-Time Expenditures and Resources	
<i>Resources</i>	
Revenue recovery audit	350,000
<i>Total</i>	<i>\$350,000</i>
<i>Expenditures</i>	
Neil Good Day Center	250,000
Hire-A-Youth <i>(to match to Council CPPS funding of \$100,000)</i>	100,000
<i>Total</i>	<i>\$350,000</i>

Impacts of May Revise and IBA Recommended Revisions



- Council Adopted Structural Budget Principles are adhered to:
 - All ongoing expenditure changes are funded with ongoing resources
 - One-time resources have been identified for new one-time expenditures
 - No negative structural impacts to the budget

Impacts of May Revise and IBA Recommended Revisions



- Summary of position changes from Proposed Budget, May Revise, IBA Changes:

SUMMARY OF FTE CHANGES							
Fund	FY 2012 Adopted	FY 2013 Proposed	<i>Difference from 2012</i>	FY 2013 May Revision	FY 2013 IBA Changes	FY 2013 Final	<i>Difference from 2012</i>
General Fund	7,036.62	7,105.42	68.80	41.23	8.00	7,154.65	118.03
Non General Funds	3,071.64	2,954.02	(117.62)	13.25	-	2,967.27	(104.37)
Total City	10,108.26	10,059.44	(48.82)	54.48	8.00	10,121.92	13.66

Other Issues for Discussion: Redevelopment Dissolution Issues Affecting FY 2013



- Ongoing and future scrutiny of enforceable obligations by Oversight Board, County Auditor and Controller (CAC) and Department of Finance (DOF) create great uncertainty:
 - Per DOF's recent letter, approval of ROPS I and II does not mean same items will be approved in the future
 - ROPS III which covers second half of FY 2013 still subject to review and approval by Board and DOF
 - CAC procedures audit to certify ROPS I is expected July 2012

Other Issues for Discussion: Redevelopment Dissolution Issues Affecting FY 2013



- State Controller's order to unwind asset transfers could impact payments made by City on enforceable obligations using redevelopment reserves
- City is receiving less than anticipated share of property taxes due to contradictory language in AB 26 regarding the method for allocating taxes amongst the taxing entities

Other Issues for Discussion: Redevelopment Dissolution Issues Affecting FY 2013



- Numerous Unknowns Make Preserving Funds Important
 - \$3.7m in Appropriated Reserve
 - \$10.7m projected TOT fund balance
 - \$5.0m of FY 2012 surplus added to FY 2013 reserve
 - Property tax trust fund revenues from June 1st distribution may exceed enforceable obligations and administrative budget for ROPS I and II, may be needed for future ROPS obligations and administrative costs

Other Issues for Discussion: Outstanding Public Safety Issues That Could Affect FY 2013



- Police increased costs for Animal Services contract – up to \$392,000
- Police contractual uniform allowance expense obligation – up to \$340,000
- Police helicopter overhaul due to reduced Seized Assets Funds – up to \$900,000
- Fire diesel fuel costs – up to \$1.0m
- Potential need to reduce Fire Alarm Permit Fee revenue expectations – up to \$700,000

Other Issues for Discussion



- Hiring freeze proposal pending implementation of Proposition B (budget and service impacts)



Summary of IBA Recommendations

1. Approval of the Mayor's FY 2013 Proposed Budget as issued on April 11, 2012 and as amended by the Mayor's May Revise issued on May 23, 2012;
2. Approval of the IBA recommended FY 2013 budget revisions for ongoing and one-time expenditures and resources as detailed in the following chart



Summary of IBA Recommendations

IBA Recommended Revisions for Ongoing and One-Time Expenditures and Resources

ONGOING

ONE-TIME

Resources

Increase TOT growth from 5% to 5.5%	739,000	Revenue recovery audit	350,000
Increase sales tax growth from 5.7% to 6%	619,000		
<i>Total</i>	<i>\$1,358,000</i>	<i>Total</i>	<i>\$350,000</i>

Expenditures

5 Police civilians (half year)	212,000	Neil Good Day Center	250,000
3 Relief Lifeguards	291,000	Hire-A-Youth	
Lifeguard wellness program	81,000	(to match Council CPPS funding of \$100,000)	100,000
Economic Development Seed Money	250,000		
Teen Nights (May/June 2013)	40,000		
Library Circuit- Councilmember Zapf funding of \$75,000	0		
Internal Controls Audit	0 - 150,000		
Auditor Software, close out audits	77,000		
<i>Total</i>	<i>\$951,000 - \$1,101,000</i>	<i>Total</i>	<i>\$350,000</i>
Remaining Funding	\$257,000 - \$407,000		\$0

Next Steps in FY 2013 Budget Adoption Process



- June 11 Council decisions on final budget modifications
- June 11 Adoption of new and increased fees proposed for FY 2013
- June 12 Available if needed for final Council budget decisions
- June 13-14 City Clerk transmits resolution to Mayor within 48 hours of passage
- June 13 Mayor's veto period begins (five business days)
- June 19 Mayor's veto period ends

Next Steps in FY 2013 Budget Adoption Process



- June 25 B&FC considers “FY 2013 Statement of Budgetary Principles” which will define budget oversight roles of Mayor and Council during Fiscal Year
- July 11 B&FC first public hearing on Appropriation Ordinance
- July 16 Second public hearing: Council adoption of Appropriation Ordinance
- July 23 Adoption of Tax Rate Ordinance