



IBA RECOMMENDED REVISIONS TO THE MAYOR'S FY 2012 PROPOSED BUDGET AND MAY REVISE

June 6, 2011

OVERVIEW OF MAY 19th REVISE



- Mayor has used 13 Council budget solutions which are estimated to generate \$36.3 M of savings/resources
- Used to eliminate the deficit/restore some priority services including:
 - All Fire engine brown-outs
 - All recreation center hours
 - A portion of library hours proposed for reduction

OVERVIEW OF MAY 19TH REVISE



- Mayor agreed with earlier IBA analysis that TOT revenues could be conservatively increased
- Incorporated \$3.4 million increase to TOT revenue
- Similar increase for Sales Tax was not included
- Based on our analysis, we recommend a conservative increase for Sales Tax as well

OVERVIEW OF MAY 19TH REVISE



- Incorporated IBA proposal to use \$8.0 M from World Trade Center sale to free up GF capital-related costs over five years (\$2.5 M FY 2012)
- Restored the following services:
 - All recreation center hours
 - Partial branch library hours
 - All Brownd Out Fire Engines were already restored in Mayor's Proposed Budget

IBA REVISIONS FOR ONGOING EXPENDITURES AND RESOURCES



- IBA considered all of the following:
 - Council budget memos
 - Input from public at Budget Hearings
 - Results of IBA initial analysis of Mayor's Budget as well as May Revise
 - Input from City management and departmental staff
 - First and foremost, kept in mind the City has not yet resolved its structural budget deficit

IBA RECOMMENDED ONGOING EXPENDITURE REVISIONS TOTAL \$5.4



- Restoration of Library Branch Hours to current service levels- \$4.6 M
- Restoration of Police Vehicle Abatement Unit-\$330,000
- Restoration of Swim Team/Water Polo-\$223,000
- Restoration of Pool Operating Hours-\$76,400
- Restoration of After School Program-\$137,600

RECOMMENDED ONGOING RESOURCES

IBA TOTAL \$5.4 M



- 1% increase in Sales Tax growth-\$2.1 M
- LTD Reserve reduction- \$1.2 M
- Overtime/travel & training reduction for non-Public Safety-\$1.0 M
- IT Discretionary funds-\$400,000
- Reduction to Annual Leave Estimate-\$400,000
- New Marketing Partnerships-\$300,000

IBA REVISIONS FOR ONGOING EXPENDITURES AND RESOURCES



- Recommended one-time expenditure revision totaling \$1.7 M for remainder of Fire Alert System
- Recommended one-time resources totaling \$1.7 M:
 - Public Liability Fund balance- \$600,000
 - Implement Recovery Auditing-\$500,000
 - Retroactive High Rise Fire Inspection Fees total \$600,000

AUDIT COMMITTEE RECOMMENDATION



- Add one Auditor position effective January 2012-\$85,000
- Mayor did not include in his May Revise
- Based on Council memos, also not included in IBA recommendations
- Should Council wish to consider, additional ongoing resources would need to be identified

IBA RECOMMENDATIONS FOR UPDATED FY 2012 GF RESERVE



- City Comptroller 5/18/11 update to FY 2010 Year-End Report discovered new \$11.2 M
- Net impact is \$11.2 M increase to FY 2012 GF reserve
- GF reserve now estimated to be \$94.1 M, 8.3% of revenues, \$3.9 M in excess of 8% FY 12 target

IBA RECOMMENDATIONS FOR UPDATED FY 2012 GF RESERVE



- Extremely good news for City as reserves were at only 3% in 2004
- Significant change from Mayor's Proposed Budget which estimated FY 2012 reserves would be at 7%
- Having achieved this important goal, it is important to maintain 8% reserve now and in the future

IBA RECOMMENDATIONS FOR FY 2012 GENERAL FUND “EXCESS RESERVE”



- Reserve funds in excess of 8% estimated at \$3.9 M
- IBA Recommended Uses:
 - Resume Community Projects, Programs and Services Fund- \$1.6 M (from FY 2011 Council Office savings transferred to the reserve)
 - Hold remaining funds in excess of 8% General Fund reserve as buffer for budgetary shortfalls-\$2.3 M
- ✓ **AFTER ACCOUNTING FOR MAYOR’S PROPOSED BUDGET, MAY 19TH REVISE AND ALL IBA REVISIONS, FY 2012 RESERVE ESTIMATED AT 8.2%**

MAYOR'S SUPPLEMENTAL MAY REVISIONS



June 1, 2011

- Mayor's recommendations for use of \$4.2 M "excess reserves" very different from IBA's:
 - Fund remainder of Fire Alert System-\$1.7 M
 - Fund additional ADA projects-\$1.2 M
 - Fund additional street repairs-\$1.3 M
- \$4.2 M differs from IBA figure of \$3.9 M- his estimate does not account for IBA recommended revisions

MAYOR'S SUPPLEMENTAL MAY REVISE June 1, 2011



- IBA Response:
 - All are critical needs, however:
 - IBA identified other resources for Fire Alert System without using reserves
 - May 19th Revise provided \$1.6 M GF for ADA projects, other resources exist such as Infrastructure Bonds and planned FY 2012 issuance
 - These same resources also exist for street repairs

MAYOR'S SUPPLEMENTAL MAY REVISE

JUNE 1, 2011



- IBA does not support Mayor's recommendations for spending the "excess reserves" as outlined for reasons cited
- Also, note that if Council chooses to approve IBA recommendations for service restorations and approves Mayor's spending proposal for "excess reserves", our estimates show that 8% target will not be achieved for FY 2012
- These spending proposals can be revisited at mid-year and allocations considered depending on budget status

IMPACTS OF IBA PROPOSED REVISIONS



- ✓ General Fund reserve projected at 8.2%, excess reserve funds preserved for “cushion”
- ✓ All major service cuts to Park and Recreation, Library and Police are restored (62.8 FTE)
- ✓ All restorations made possible through ongoing funding sources
- ✓ No negative impact to FY 2013 or structural budget deficit
- ✓ Council Community Projects, Programs, Services Fund restored through Council Office savings
- ✓ New Fire Alert system fully funded without using reserves

SUMMARY OF IBA RECOMMENDATIONS



IBA recommends Council consideration of the following actions:

1. Approval of Mayor's FY 2012 Proposed Budget (4/15/11) as amended by May Revise (5/19/11)
2. Approval of IBA recommended revisions for ongoing and one-time expenditure and resource revisions

SUMMARY OF IBA RECOMMENDATIONS (CONT'D)



3. Approval of IBA recommendations for the FY 2012 GF excess reserves above 8% goal:
 - Re-appropriation of \$1.6 M for Community Programs Fund from Council Office savings
 - Hold remaining \$2.3 M in reserves to achieve 8.2% for FY 2012

SUMMARY OF IBA RECOMMENDATIONS (CONT'D)



4. Approval of \$450,000 from City's Major Events Revolving Fund for work of non-profit Balboa Park Centennial Host Committee. Special Promo/TOT Funds have been contributed for this purpose over the past several fiscal years, no General Fund impact

KEY NEXT STEPS IN BUDGET ADOPTION PROCESS



- June 6-7 Final Council decisions on revisions
- June 9 Mayor's veto period begins
- June TBD Separate adoption of fees
- June 15 Mayor's veto period ends
- June 20 Council consideration of veto override (if needed)
- July 18 Adoption of Appropriation Ordinance
- July 25 Second Public Hearing of Appropriation Ordinance