

COUNCIL AGENDA REPORT

June 21, 2011

TO: City Council

FROM: City Manager

**SUBJECT: AMENDMENTS TO THE ADOPTED 2011-12 CITY BUDGET
(SECOND YEAR OF THE APPROVED TWO-YEAR BUDGET)**

RECOMMENDATION:

That the City Council adopt a resolution approving amendments to the 2011-12 City budget.

BACKGROUND AND SUMMARY:

Last year, the City Council adopted two one-year budgets covering the period from July 1, 2010 to June 30, 2012. At that time, staff indicated it would be necessary to revisit the adopted 2011-12 budget plan during the mid-cycle review period to make appropriate amendments to the budget based on unforeseen events and changes in the local economy. The mid-cycle review period is now upon us, and staff is bringing forward budget amendments for Council's consideration related to the 2011-12 City budget.

In summary, the proposed 2011-12 General Fund Budget is consistent with what was anticipated when staff developed the 2010-12 Budget. Last year, it was anticipated that one-time reserves and employee concessions would play an integral part in the budget balance scenario as would reductions to operating departments. While the extent of operating reductions were unknown at that time of the 2010-12 budget being adopted, they were anticipated to be in the \$2 million range. Consequently, as part of the General Fund balancing plan, the proposal before Council identifies a total of \$2.4 million in base line budget reductions in General Fund operating departments. However, because of certain operational costs (primarily associated with increased costs in pension-related expenses) the total "net" reduction to General Fund appropriations is closer to \$1 million.

The proposal before Council provides for a balanced General Fund budget but does not reflect or take into consideration possible State or County impacts on City finances or operations. Should the State decide to eliminate all Redevelopment Agency (RDA) funding or should the Board of Supervisors decide to close the North County Jail on Foster Road, staff will then be required to bring back options at a later date to address these impacts on the City's Budget for Council's consideration.

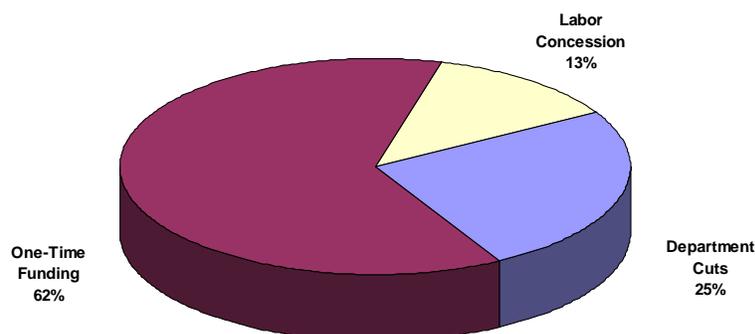
INTRODUCTION:

The City enters the 2011-12 budget process under similar circumstances as in 2010-11, with the local economy still lagging behind the rest of the nation in its recovery from the Great Recession. And while the worst of the economic downturn appears to be behind us, the current economic climate still remains very sluggish and anemic; in fact, the recovery is so slow-moving that some economists have coined it a “weak-recovery.”

Overall, General Fund revenues continue to lag, while pension-related and other operational costs continue to increase. Last year in 2010-11, the City faced an astonishing \$8 million budget deficit and projected a similar one in 2011-12. This year, that deficit rose to a staggering \$9.5 million – the primary reasons being an increase in unanticipated CalPERS pension-related increases and lower than anticipated revenues. To address this \$9.5 million financial challenge (which represents about a 17 percent budget imbalance), staff put together a multi-faceted approach to bridge this financial gap relying heavily (62 percent) on the use of one-time funding, as illustrated below.

LEAF	\$ (2,691,000)
Carryover Financing	(1,189,900)
Workers' Comp Deferrals	(1,000,000)
Fleet Services Deferrals	(658,330)
Business Equip Deferrals	(341,470)
Total One-Time Funding	<u>\$ (5,880,700)</u>

In addition to the use of this one-time funding, it is necessary to recommend the continuation of existing employee concessions through the 2012 calendar year, as well as reductions to operating departments, in order to produce a balanced General Fund budget for 2011-12. The percent of each one of these variables in the budget balancing plan is as follows:

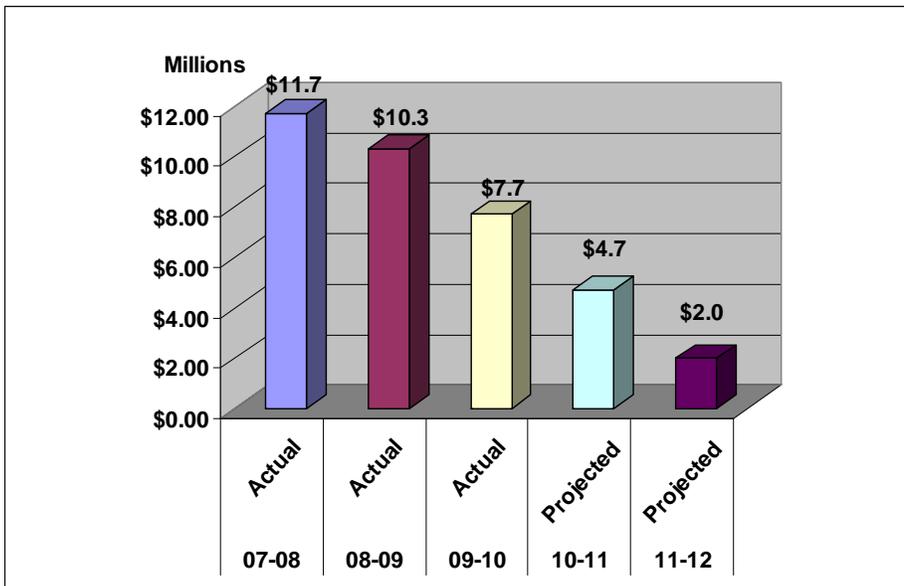


As you can see from the above pie chart, the use of one-time funding is the primary means to balancing the 2011-12 Budget. For 2011-12, it is recommended that the City Council continue to authorize the use of one-time reserves, primarily financed

through the Local Economic Augmentation Fund (LEAF), and carry-over funding from 2010-11 as well as the continuation of cost deferrals to the General Fund.

The 2011-12 fiscal year marks the fourth year in a row that the City has had to resort to using one-time LEAF reserve funding in order to balance the General Fund budget. In all, since 2008-09, the City has used close to \$7.5 million in LEAF financing as a budget balancing mechanism. Last year, the City Council authorized staff to use up to \$3 million in LEAF funds for the upcoming 2011-12 Budget. However, because staff initiated a number of cost containment measures during this last year (e.g. leaving vacant positions open and unfilled, deferring capital purchases, limiting travel and training requests, continuing the Voluntary Time Off Program, and requiring departments to reduce their operational expenses), the General Fund was able to generate nearly \$1.2 million in one-time funding that can be carried over from 2010-11 to 2011-12. Because of this carry-over funding, staff is recommending that Council authorize the use of only \$2.7 million in LEAF financing in 2011-12, which would provide for \$2 million in LEAF financing for the already anticipated 2012-13 multi-million dollar budget deficit. And while this one-time revenue source may have helped the City plug the financial gap in the General Fund over the last few years, it is quickly disappearing (as evidenced in the chart below).

LEAF Reserve Fund Balances by Fiscal Year



In addition to one-time LEAF financing, and the use of one-time carry-over funds, the 2011-12 budget also calls for the continued deferral of cost allocations to the General Fund. Last year, as part of the 2010-12 budget, the City Council authorized the use of an additional \$2 million in cost allocation deferrals as part of the adopted 2011-12 budget; namely, \$1 million in cost allocation reductions in workers' compensation expenses and another \$1 million in fleet services and business equipment-related expenses. The City has been deferring these costs since 2008-09 and over that time has saved the General Fund more than \$9 million in expenses. However, continued deferral in these areas can't be sustained much past this next fiscal year (2011-12).

In an effort to further reduce operating costs, staff not only took into consideration the cost savings associated with the continuation of employee concessions (\$1.2 million), but also cut General Fund operating expenses by a total of \$2.4 million. Departmental reductions ranged anywhere between a low of 4 percent (for the public safety departments) to a high of 9 percent for the Community Development Department. And while some departments were able to reduce their expenses by either eliminating or (in the case of the public safety departments), not funding currently vacant positions; other departments are recommending the elimination of some full-time and part-time positions. A more detailed summary of specific personnel reductions, by department, are discussed in the *Summary of Proposed Amendments* portion of this report.

Economic Factors

As economists report signs of a slow “L-shaped” recovery, many families and businesses continue to struggle through the largest financial crisis that this nation has faced since the Great Depression. The so-called Great Recession that began in December 2007 resulted in the loss of 8.4 million jobs nationwide. Since the recession ended in the second quarter of 2009, the State’s unemployment rate has declined slowly and fell below 12 percent for the first time since August 2009, but weak job gains showed that the economic recovery was still proceeding in fits and starts. The Federal Reserve has tried to stimulate the economy through tax cuts and spending programs, coupled with a zero interest rate policy. However, these programs have had little impact on consumer spending and job growth.

According to the recent UCSB Economic Forecast Project, our local economy faces a slow and somewhat modest recovery over the next few years with employment not recovering to its pre-recession levels until 2013. Prior to the recession, the Santa Barbara County’s unemployment rate was hovering around 4 percent. Last year it hit its highest level ever at 10.1 percent; since then, it has dropped to about 9.6 percent. Santa Maria’s unemployment rate is currently at 13.3 percent, down from 15.5 percent this past January. And with high unemployment comes low consumer confidence and the potential for more foreclosures and short sales on the horizon.

As far as the local real estate market is concerned, the local residential market continues to reel under the shock of the financial market crisis and abrupt influx of foreclosures and short-sales. In California, the real estate market experienced a 37.5 percent decline in 2008 and an additional 22 percent decline in 2009. In 2010, the median price of homes in Santa Maria increased 8 percent. However, while the median home price has slightly increased, overall, the median home price has fallen from a high of \$444,000 in 2006 to its current level of \$229,500, and it’s anyone’s guess as to what’s in store for the already soft housing market.

At the State level, the State of California has been facing a chronic deficit, \$26 billion when the Governor released his proposed budget last January. Since then, through spending cuts in health and welfare programs, the State has been able to reduce its deficit to about \$16 billion for 2011-12. The State’s May revision projected increasing revenues of \$6 billion, primarily from greater personal income tax receipts. This has resulted in a deficit of approximately \$9.6 billion. Governor Brown also wants to finance a very modest reserve of \$1.2 billion in next year’s

budget. However, closing the remaining deficit and establishing a \$1.2 billion reserve is all predicated on the extension of a quarter percent increase on income taxes, a half percent increase in the vehicle license fee, and a 1 cent increase in the State sales tax rate, all of which were approved three years ago and are set to expire June 30th. Pending approval from both the Assembly and the Senate, the Governor intends to place these tax measures before the voters later this year.

Another part of the Governor's budget plan to close its deficit is to eliminate Redevelopment Agencies (RDA's) throughout the State. The City's RDA Tax Increment of approximately \$1.2 million per year is in jeopardy should the Governor be successful in this plan to eliminate RDAs. As you will recall, the City's entire tax increment is used for debt service payments on the 2003 RDA bonds. The total annual debt service is approximately \$2.7 million with the General Fund paying the remaining amount after the RDA. The elimination of the RDA by the State could have a significant negative impact on the City's General Fund by not only \$1.2 million per year, but could also eliminate any possibility for the General Fund to be reimbursed by the RDA for past loan advances. And while the Legislative Analyst has already opined that the Governor's proposal is unconstitutional, staff will be monitoring this issue and will bring back a status report to the City Council should the Governor be successful in this attempt to eliminate RDAs.

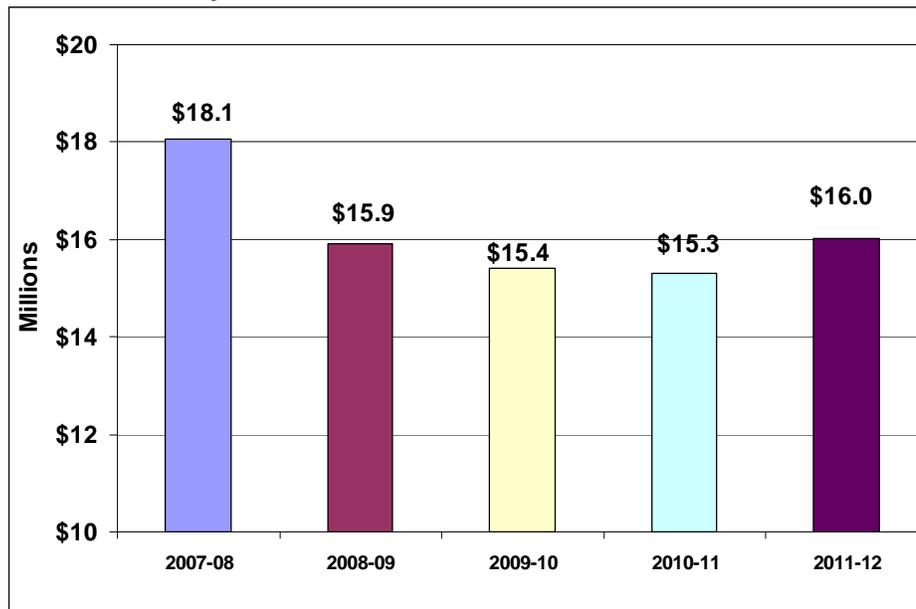
At the local level, Santa Barbara County is facing a \$72 million shortfall for the coming fiscal year. One of the budget saving measures proposed is the possible closing of the North County Jail in Santa Maria, where offenders (prisoners) from Santa Maria, Guadalupe, and the California Highway Patrol are temporarily booked and housed. The three agencies together book approximately 4,000 prisoners in the North County Jail annually. It is estimated that the North County Jail closure will result in additional costs to the City; namely the cost to transport prisoners to the south coast jail facility in Goleta. And like the Governor's proposal to eliminate RDAs, should the Board of Supervisor's decide to close the north county holding facility, staff will bring back options for Council's consideration. *Note: at the time of preparing this staff report, the Board of Supervisors had not yet made funding decisions on the Sheriff's Department budget. Funding decisions, including the issue of the North County Jail, are expected to take place on June 17, 2011.*

Overall, staff anticipates 2011-12 projected General Fund revenues to be approximately \$53.3 million or \$263,080 less than what Council had previously adopted as illustrated in the below chart.

	Estimated Actual 2010-11	Previously Adopted 2011-12	Proposed 2011-12	Increase (Decrease)	Percentage Increase (Decrease)
Sales Tax	\$ 15,316,240	\$ 14,891,450	\$ 16,008,000	\$ 1,116,550	7.50%
Property Tax	13,981,610	13,928,000	14,082,600	\$ 154,600	1.11%
Hotel/Bed Tax	2,253,870	2,030,600	2,276,500	\$ 245,900	12.11%
Impacted Soils	2,107,000	4,000,000	2,503,000	\$ (1,497,000)	-37.43%
Construction Permits	1,104,700	1,508,000	1,258,000	\$ (250,000)	-16.58%
Total Key Revenues	34,763,420	36,358,050	36,128,100	\$ (229,950)	-0.63%
Other Revenues	18,984,320	17,168,060	17,134,930	\$ (33,130)	-0.19%
Total General Fund	\$ 53,747,740	\$ 53,526,110	\$ 53,263,030	\$ (263,080)	-0.49%

When staff developed revenue estimates for the second year of the 2010-12 budget, it was back in March of 2010 when the recession had just ended and the local economy was still lagging far behind the recovery seen in other parts of the country. In conjunction with our sales tax consultant, Hinderliter de Llamas and Associates (HdL), staff recommended a one percent increase in sales tax revenue for 2011-12. However, since then, based on 2010-11 year-end estimates in sales tax receipts, HdL and staff are now recommending adjustments to the 2011-12 sales tax revenues to reflect a 4.5 percent increase over current year estimated actual receipts and a 7.5 percent increase over the previously adopted budget. To that extent, while sales tax receipts do appear to be gradually increasing, as illustrated by the below chart, they're still far from returning back to their 2007-08 levels.

Sales Tax Analysis

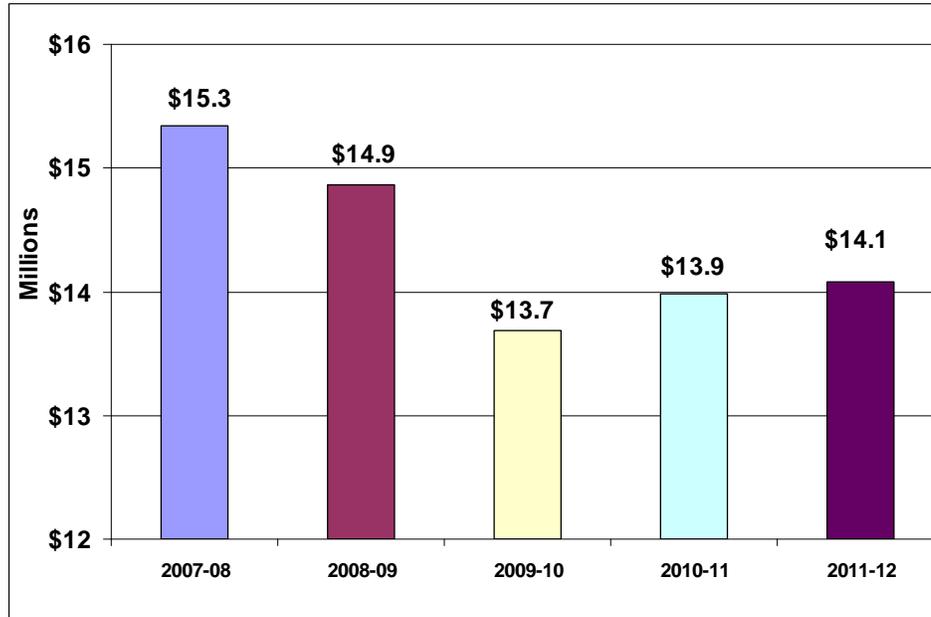


As for property tax receipts, the second largest revenue source in the General Fund, the unprecedented number of foreclosures and short sales in the City continues to have a negative impact on assessed property values. Under Proposition 13, the assessed value is determined as of January 1st (lien date) of each year. The assessed value for most property is the prior year's assessed value adjusted for inflation up to a two percent maximum. However, in 1979, AB 8 was passed which amended Proposition 13 to recognize declines in property values for property tax assessment purposes. As a result of the recent collapse in the local housing market, from 2006 through 2010, there were over 7,000 residential parcels in the City that had AB 8 assessed value reductions that totaled a combined \$842 million. This decline in assessed property values has resulted in a decrease of over \$925,000 in property tax receipts for the City.

For 2011-12, the Proposition 13 annual inflation adjustment made by the County of Santa Barbara will only be 0.753 percent. This will be only the seventh time that the inflation adjustment has been less than the maximum two percent allowed by Proposition 13 and in fact, last year, property values were reduced by the Santa Barbara County Assessor's Office by 0.237 percent.

Based on next year's annual inflation adjustment, an overall increase of one percent in property tax revenues over previously authorized amounts is warranted. Below is an overview of the property tax receipts in the City and like sales tax receipts – while there is a progressively modest increase in property tax receipts since 2009-10; property tax receipts are not expected to return to 2007-08 levels until 2016-17 at the earliest.

Property Tax Analysis

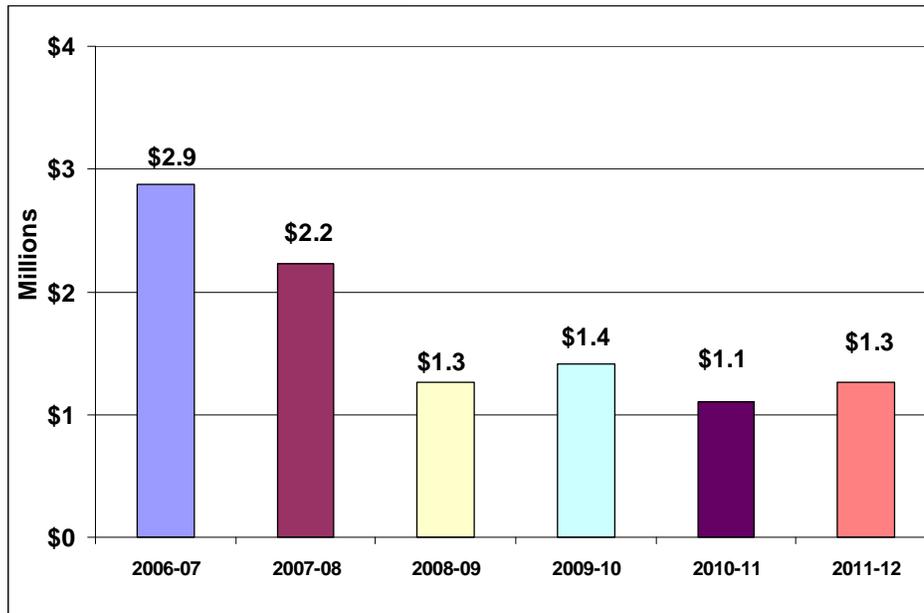


Significant decreases in revenue associated with the Non-hazardous Hydrocarbon Impacted Soil (NHIS) program can be attributed to the slow down in clean-up efforts by the contractor (Chevron). Year-end revenues are anticipated to be \$1.7 million below the \$4 million budget for this current fiscal year (2010-11) and are projected to be \$1.5 million below the 2011-12 previously authorized budget amount. The reason for this significant variance can be directly attributed to the contractor, Chevron, and their cleanup efforts of the Guadalupe Dunes site. Phase I of the cleanup is nearing completion which has resulted in a significant decline in the amount of NHIS material disposed of at the landfill. Terms associated with Phase II of the cleanup are presently being negotiated between Chevron and the Regional Water Quality Control Board. Once this negotiation process is complete, it's anticipated that the flow of NHIS material to the landfill will start increasing. However, there is no specific date when this will happen which only underlines the fact that this revenue source fluctuates annually and should not be used as a guaranteed source of income over the long haul.

As indicated previously, the construction sector took a tremendous hit during this last recession, resulting in an unemployment rate in the construction industry being three times that of any other major industry sector. The construction industry has not experienced any significant job growth in the last four years and stands at its lowest point (in terms of construction-related jobs) in the past decade and a slow

construction industry directly affects construction-related permit revenue as illustrated below.

Permit-related Revenue Analysis



As for the Transient Occupancy Tax (or otherwise known as the Hotel/Bed Tax) revenue is concerned, staff is recommending an increase in Hotel/Bed Tax revenue in 2011-12. Staff recommends a slight one percent increase over the current year estimated actual amount and a 12.11 percent increase over the previously adopted budget. These increases are based on the actual increase in Hotel/Bed Tax revenue that the City has seen over the last 18-month period.

As part of the 2010-12 Budget, the City Council authorized the development and update to the Cost Allocation Plan. Accordingly, the City updated the plan this last year which identifies costs of support provided by central servicing departments to City's operating departments, enterprise funds, special revenue funds and other non General Fund activities. The last update to this plan was back in 2002 and it was over due to be updated. The typical central servicing departments include the Department of Administrative Services, the City Manager's Office, the City Attorney's Office and Information Technology as well as other similar type of operations that are necessary to support the functioning of departmental and fund operations. The update was prepared in accordance with Generally Accepted Accounting Principles with costs allocated to the operating departments and/or funds based on the relative benefits received. The update to the City's Cost Allocation Plan will result in the General Fund being the recipient of over \$400,000 in additional revenues in 2011-12.

Santa Maria is no different than other central coast agencies facing similar budget challenges as other local cities and counties are facing their own funding shortfalls and are also taking various steps to close their respective budget deficits. For example, the County of Santa Barbara faces a \$72 million deficit and is considering a reduction of 290 positions in 14 departments, which if adopted, will bring the

County's workforce to 1989-90 levels. Layoff notices were distributed to 130 County employees in March and the remaining 160 positions are currently vacant. The final tally of reduced positions depends on State budget impacts. The County intends to use one-time funding to help temporarily mitigate some service level reductions for high priority programs but this practice is not intended to be on-going. The County Executive Officer has stated that closing the revenue-expenditure gap will require services to shrink, employees to be compensated less, and the introduction of new revenue sources. County departments were instructed to reduce their budgets by 15 percent which has necessitated the Sheriff's Department to propose the possible closing of the Santa Maria branch jail facility.

The City of Santa Barbara faces an estimated \$2.7 million deficit in the upcoming fiscal year and plans to eliminate 10 (full-time equivalent) positions through attrition without employee layoffs. The proposed budget will bring the City's total staffing to a level similar to 1999. Santa Barbara's proposed budget counts on obtaining \$1.8 million in savings through projected wage and benefit concessions for non-safety employees; those concessions would add to the \$1.1 million in annual savings realized from three-year agreements with police and fire unions. Without concessions, the balancing strategy would require even more cuts to staffing and services.

To bridge an estimated \$3 million revenue gap, the City of Lompoc is looking at consolidating its Parks, Recreation and Urban Forestry Department into other departments, un-funding 13 positions (including three police officers and three firefighter positions), continuing a hiring freeze, and avoiding all General Fund capital improvement expenses except for basic information services-type of expenses. Lompoc employees are presently participating in a 13-day furlough program per year and furloughs for 2012 are being contemplated to help mitigate anticipated pension cost increases in 2011-12.

To close the City of San Luis Obispo's projected \$4.4 million gap in its \$54 million 2011-12 General Fund budget, its executive staff is recommending reducing operational costs by \$1.8 million, eliminating 13 General Fund positions and seeking \$2.6 million in salary and compensation concessions from their employee bargaining groups. The 13 positions being cut (including two police officer positions) will save the City approximately one million dollars, and those positions are either currently vacant or are expected to be vacant soon. That City's budget shortfall is projected to grow to \$5 million in 2013-14 and \$4.7 million annually for each of the next five years. So by comparison, the City of Santa Maria is not alone in having to make some very difficult financial decisions.

DISCUSSION:

For 2011-12, the second year of the approved two-year budget, staff recommends reductions to both appropriations and revenues. Total proposed appropriations in the General Fund are proposed to be \$54.4 million. This is \$1,040,120, or approximately 1.8 percent, less than previously adopted and reflects base line reductions in each operating department. Overall, total proposed Citywide operating

appropriations are \$134.9 million. This is \$528,510, or less than ½ percent, lower than previously adopted.

As for recommended revenues, total proposed revenues in the General Fund are \$53.2 million which is \$263,080, or almost ½ percent, lower than previously adopted. As indicated previously, the difference between recommended General Fund revenues and appropriations will be made up by using \$1.2 million in one-time carryover funds from 2010-11.

Overall, total proposed Citywide operating revenues are \$121.5 million, which is \$1,588,710, or 1.2 percent, lower than previously adopted. The difference between the overall recommended revenues and appropriations will be made up by the use of one-time reserves, primarily in the Enterprise Funds. For 2011-12, staff recommends a \$1.9 million reduction in revenues for the Water Resources Fund.

The previously adopted 2011-12 budget projected revenues in the Water Resources Fund to be \$35 million while the newly revised revenue projections are estimated to be closer to \$33 million, or \$1,982,440, lower than anticipated. The reason for this decrease can be attributed to a decline in water usage by approximately 1.2 percent over the last year. The decline in water usage reflects what is occurring state wide, i.e. the downturn in the economy and customers instituting water conservation measures, the large number of foreclosures on the market, statewide efforts to reduce water usage, the construction industry at a standstill, and an unusually wet winter. And because of these variables, the previously authorized 5 percent water increases are only yielding approximately 2 percent in actual water revenue increases. To account for a decline in projected revenue, capital projects are being deferred and a more aggressive approach to evaluating the State Water charges are being pursued.

Regarding the General Fund, while base line operating budgets were reduced by over \$2.4 million, because of increased operational costs, the overall reduction in appropriations is only \$1 million and delineated as follows:

<u>Appropriations</u>	<u>Estimated Actuals 2010-11</u>	<u>Previously Adopted 2011-12</u>	<u>Proposed 2011-12</u>	<u>Increase (Decrease)</u>
Police	\$ 20,804,010	\$ 22,251,290	\$ 21,995,060	\$ (256,230)
Fire	8,024,970	8,425,200	8,255,500	(169,700)
Public Works	2,521,010	2,568,540	2,496,600	(71,940)
Recreation & Parks	7,642,590	8,241,500	7,893,330	(348,170)
Community Development	2,751,090	3,003,490	2,768,790	(234,700)
City Attorney	1,174,870	1,071,440	1,045,810	(25,630)
City Manager	2,120,610	2,173,070	2,207,590	34,520
Administrative Services	7,310,300	7,600,750	7,632,430	31,680
Mayor & Council	154,940	156,810	156,860	50
Total Appropriations	<u>\$ 52,504,390</u>	<u>\$ 55,492,090</u>	<u>\$ 54,451,970</u>	<u>\$ (1,040,120)</u>

And while each department reduced their base line operating budgets anywhere from four, to six, to nine percent, these decreases were masked by off-setting operational increases resulting in a net reduction of \$1,040,120. Specific reductions are discussed in more detail in the *Summary of Proposed Amendments* portion of this report.

From a personnel standpoint, the total full-time personnel complement of the City in 2011-12 is being reduced from 461 down to 456 - with an additional five public safety related positions being authorized but not funded. In 2010-11, the City Council authorized but did not fund five public safety-related positions, the addition of five more in 2011-12 brings the total complement of authorized, but not funded, public safety positions to ten. For 2011-12, the 456 full-time positions is equivalent to the personnel complement of the City back in 2006-07; and it will result in the City's employee-to-population ratio dropping to 4.55 (with 8.50 being the average of other comparable central coast agencies).

From a part-time and limited service perspective, staff is also proposing to reduce the total part-time (32-hour per week) personnel complement of the City from 73 part-time positions down to 68. As for limited service positions, those that are in a 19-hour per week capacity, staff is recommending an overall reduction of 16 positions which is the equivalent of 8 full-time positions. In addition to this reduction, staff is also proposing to have all limited service employees pay the 3.75 percent City contribution to their retirement plan. Currently, all limited service employees participate in the Public Agency Retirement Plan or PARS, with the employee paying 3.75 and the City paying 3.75 toward this program. As part of the previous and current concessions made by all full-time and part-time employees, staff tried to implement similar compensation concessions on limited service employees by reducing their working hours by four to five percent. However, because of operational demands, this has been problematic. Consequently, staff is recommending that all limited service employee revert back to their original working hours and pick-up the City's 3.75 percent PARS contribution. By doing this, there will be no negative impact to service levels and concessions will be applied to all City employees on a more consistent basis.

Other noteworthy variances in the total operating budgets include increases in the three enterprise funds and the Redevelopment Agency (RDA) Fund, and decreases in the Library Fund and County Measure "A" Fund.

Increases in the Water Resources Fund can be primarily attributed to, not only increased pension-related expenses, but also Stormwater Mitigation Plan expenses. As part of the Stormwater Mitigation Plan, the City applied for, and received permits from the Regional Water Quality Control Board, the Army Corps of Engineers, and Department of Fish and Game to perform certain maintenance-related work within the City. The costs associated with implementing this Mitigation Plan are approximately \$185,000 and are revenue offset by developer funds.

Aside from the increase in pension-related costs, the other reason why appropriations are increasing in the Solid Waste Fund can be attributed to replacing one part-time Laborer III position and one contractual services position with two full-time landfill maintenance-related positions. Both the part-time position and the contractual services position have been working in a full-time capacity which warrants the need to replace them with full-time personnel.

Recently, staff was successful in obtaining Federal Transportation Act funding which will be used to supplement the construction costs of the Transit Center and replace Transportation Development Act funding that was previously encumbered for that project. With the introduction of this new funding source, appropriations in the Transit Fund are required to spend this money; thus, accounting for the increase in appropriations.

Two years ago, the State shifted approximately \$95,000 away from the (Redevelopment Agency) RDA in an effort to address the State's budget imbalance. Last year was the second and last year of the shift. Consequently, the increase in RDA appropriations is primarily attributed to an increase in the property tax increment and the availability of the RDA to pay for slightly more of their debt service expenses.

Reductions in appropriations in the Library Fund are attributed to the need to reduce operating expenses since the Library will be experiencing severe revenue reductions next year. Similar to other libraries across the county, the Santa Maria Public Library will be the recipient of severe funding cuts from the Federal, State, and County governments in 2011-12. The impact of Federal and State revenue cuts to the Santa Maria Public Library in 2011-12 are estimated to be \$81,800. To compound matters, the County of Santa Barbara has already informed staff of their intent to reduce funding to branch services by over \$143,000. In addition, staff is also recommending a six percent reduction in the General Fund's contribution to the Library (consistent with the reduction of other General Fund services). Consequently, the reductions in appropriations for 2011-12 in the Library Fund are a direct result of a decrease in funding sources and the corresponding impact on operations is explained more later in this report.

Reductions in the County Measure "A" Fund are also a direct result of anticipated decreases in revenues. Back in early 2010, staff estimated 2011-12 County Measure "A" revenues based on preliminary information provided by the County at the time. Since then, staff has reassessed revenue projections based on calendar year 2010 actuals and recommends an adjustment to anticipated revenues. Consequently, corresponding reductions in appropriations are warranted in this fund.

Other significant budget variances identified in Attachment A (*Summary of Proposed Appropriations for FY 2011-12*) not otherwise mentioned above, are decreases in the Fleet Services Fund; and increases in the Landscape & Maintenance Districts Fund and Insurance Fund.

Decreases in appropriations in the Fleet Services Fund are primarily attributed to three issues: 1) staff identifying five vehicles that may be eliminated from the City's fleet which will allow for a decrease in operational costs; 2) staff also identified three vehicles that are due for replacement in 2011-12 that can be deferred, thus postponing the expenditure of replacement costs; and 3) the postponement of the diesel retro-fit program – all of which account for the recommended decrease in appropriations in the fund.

The increase in appropriations in the Landscape & Maintenance District Fund is attributed to staff shifting personnel and operational costs associated with seven parks (Fletcher, Jim May, North Preisker Ranch, Rodenberger, Rotary, Sierra Vista, and Westgate) from the General Fund to the Landscape & Maintenance Districts. These parks were primarily built to meet the needs of new residential development and as such, the operating costs are primarily district-related costs and are being shifted to the district as part of the 2011-12 Budget.

As far as provisions for reserves, General Fund reserves are based on projected revenues, expenditures, and capital requirements. Projected reserves in the General Fund for the year-ending June 30, 2011 are estimated to generate an additional \$1.2 million in one-time funding that staff proposes to carryover to 2011-12 to balance the budget. Projected reserves in the General Fund for the year-ending June 30, 2012 would still be consistent with adopted reserve thresholds.

Attachment "A" summarizes the proposed budget and staffing levels for all funds and compares the proposals to current resources. A chart summarizing the full-time and part-time positions by department can be found in Attachment "B." A fund analysis for all funds (Attachment "C"), and a schedule of revenues and other financing sources (Attachment "D") are attached as well.

Summary of Proposed Amendments:

The following are highlights of noteworthy amendments staff is recommending for Council's consideration for incorporation into the 2011-12 City budget. To facilitate an orderly progression of the recommended amendments, staff is presenting them in their programmatic areas of function, as they have been presented in previous budget documents.

OPERATIONS:

Public Safety

As with the other General Fund departments, no new positions or program enhancements are being proposed in either of the public safety departments in 2011-12. Rather, five full-time vacant positions are being recommended to be authorized, but not funded, with one vacant fire fighting-related position (previously assigned to the Airport District) recommended for elimination.

In the Police Department, staff is recommending that five currently vacant positions be authorized, but not funded during the next twelve month period. These five positions are a Crime Prevention Technician and four police officer positions.

The Crime Prevention Technician position, vacant since December 2010, is a non-sworn position that assisted the department in overseeing various crime prevention programs such as neighborhood watch, making presentations to area schools regarding drug prevention and child safety issues, and

overseeing the department's volunteer program. When filled, the Crime Prevention Technician was part of the Community Services Unit (CSU) – a unit that was once staffed by a Sergeant, three beat coordinators, three School Resource Officers and the DARE Officer. This unit has now been reduced to only two School Resource Officers and a part-time DARE Officer. These staff reductions have necessitated the department to temporarily suspend the majority of all community outreach programs to preserve patrol services.

Currently, the department has two Police Officer positions funded by grant funding (the Citizen's Option for Public Safety (COPS) and Edward Byrne Memorial Justice Assistance Grant [JAG]). These two revenue sources will cease on June 30th. Consequently, without continued grant funding, the General Fund would have to pick-up the cost of financing these two positions which is difficult given the current financial situation of the City. Thus, staff is recommending that these two previously funded grant positions, along with two more vacant Police Officer positions continue to be authorized, but not funded, during the next twelve month period. However, staff has recently submitted an Office of Community Oriented Policing Services (COPS) grant request to fund three of the aforementioned Police Officer positions. Should the City be successful in obtaining this funding, the funding would be for three years and would allow the department to hire three Police Officer positions and assign them to the Problem Oriented Policing (POP) team to work more closely with the CSU Unit and the local schools.

In addition to not funding the above five positions, the Police Department is also recommending that two currently vacant Corporal positions be authorized, but not funded, until later in the fiscal year and that upon the retirement of two Police Lieutenants, that the department keep those positions open (once vacated) and not fill them until further notice. In all, these proposed personnel recommendations will save the City approximately \$800,000 in 2011-12. However, because of known CalPERS pension-related cost increases, as well as other known increased operational costs, the total overall appropriation reduction for the Police Department in 2011-12 is \$256,230.

In the Fire Department, in addition to eliminating a vacant Fire Prevention Officer III position, staff is also proposing to reduce the complement of limited service personnel, eliminate the Firefighter Reserve Program, and change the manner in which the department utilizes limited service personnel to respond to mutual aid assignments as a way of reducing their operating costs.

In April, the City and the Airport District approved a continuation of the Airport Rescue Fire Fighting Agreement. As part of this agreement, both parties agreed to a level of service that allowed for the elimination of one vacant Fire Prevention Officer position. In addition to eliminating this full-time position, the department is also recommending the elimination of its Reserve Program.

Currently, the department does not have any Fire Reserves on staff and hasn't had any Reserves for some time. So the lack of participation in this program enables staff to discontinue the program which helps reduce operational expenses. In addition to phasing out the Reserve Program, the department also has a vacant limited service Assistant Clerk and Fire Prevention Aide position which are also being recommended for elimination.

For the last several years, the Fire Department has had a practice of hiring retired local-area fire personnel and assigning them to (long-term) mutual aid assignments out-of-the-area. However, the frequency of these assignments have been declining which has led staff to reassess internal accounting procedures and recommend that rather than routinely budgeting for these positions – to only hire necessary personnel resources when needed and finance them through reimbursement arrangements with the contracting agencies. Furthermore, staff is also recommending a title change only for these temporary positions from Temporary Planner to Reserve Command Chief – the latter being a better descriptor of their duties and responsibilities.

By implementing the above personnel changes, the Fire Department is able to reduce their personnel operating costs by \$284,250. However, like the Police Department, because of pension-related cost increases, the total overall appropriation reduction for the Fire Department in 2011-12 is \$169,700.

Public Utilities

Aside from the notable pension-related increases that are plaguing each department, the only other noteworthy changes in this program area are personnel-related and deal with replacing three part-time Laborer III positions with that of a full-time Water Systems Operator and two Maintenance Worker I positions. Currently, these part-time positions have been working in full-time capacities for some time, which warrants the need to replace them with full-time personnel. The Water Systems Operator will assist in the water distribution area and will likely be under-filled with a Water System Operator Trainee. The two Maintenance Worker I positions will be assigned to the landfill and will work with recycling and regulatory compliance issues.

Public Ways & Facilities

Operational costs are also being reduced in the Department of Public Works; resulting in the elimination of one part-time Laborer III, as well as the majority of the City's share of the costs associated with the school crossing guard program.

The Laborer III position is assigned to the library as custodial support for the second floor of the Main Library. Currently the first floor's custodial work is performed by a contract service provider and in an effort to reduce operational expenses, staff is recommending contracting-out all custodial work in the Main Library. The end result of contracting-out the entire custodial work in the Library would result in approximately \$29,359 in savings and the elimination of one part-time Laborer III position.

With regard to the reduction in the City's share of the school crossing guard program, both the City and the Santa Maria Bonita School District have shared the costs associated with providing school crossing guards at crosswalks near and around schools for several years. The cost of this program is approximately \$350,000 annually with the City providing contract administration for this program. Prior to the 2010-12 Budget, the costs were shared equally by both agencies; however, last year the City reduced its contribution to the program and the School District agreed to increase theirs by a corresponding amount. This year, staff has discussed the need to further reduce the City's contribution toward this program by another \$66,700 and the School District has again agreed to pick-up this amount so as not to negatively impact the total number of school crossing guards. So for 2011-12, the City's contribution to the school crossing guard program will be \$78,900.

In the Fleet Services Fund, staff is recommending the addition of a Fleet Mechanic to assist in servicing of solid waste heavy equipment at the landfill. Currently, the seven day-a-week operation at the landfill has necessitated the need for staff to contract-out for fleet maintenance-related services on a forty-hour a week basis. Consequently, the equipment service workload warrants another full-time fleet mechanic as staff is proposing.

Leisure and Cultural Services

In the Leisure and Cultural Services departments, a total of five full-time, a net of three part-time, and a net of five limited service positions are being proposed for elimination. In the Recreation and Parks Department, the department's Secretary position and a vacant Park Services Officer II and a vacant Recreation Technician position are being proposed for elimination. The Recreation Technician position has been vacant since July 2010 and the Secretary's position is proposed to be replaced with a limited service 19 hour per week Administrative Aide I position. The limited service clerical position would perform similar work as the full-time position, but at a reduced schedule.

The elimination of the Park Services Officer II (PSO II) position will reduce the full-time complement of the Park Services Officer staff from three down to two. However, staff is recommending that the PSO II classification be flexibly staffed with the introduction of a PSO III classification and that the one incumbent be reclassified to that of PSO III based on his journey-level experience and job duties (the other position is currently vacant). Furthermore, with the pending departure of the Provisional Officer assigned supervisory duties of the Park Services Officer Program, staff recommends downgrading that limited service position to that of Park Services Aide and convert an existing part-time (vacant) Park Services Officer position to that of Park Services Coordinator and have this new position oversee the operations of this program.

On the Recreation side of the department, there are two part-time Facility Specialist III positions that are currently vacant; one assigned to vector control duties and another assigned to marketing-related duties. The vacant vector control position's duties have been contracted-out for over a year and staff recommends continuing to contract-out this service. The marketing-related position was partially grant funded and when the funding was eliminated, the position reverted to a limited service position. Consequently, staff is recommending converting this part-time position to a limited service Technical Aide position.

In addition to the above proposed personnel changes, the Recreation and Parks Department is also recommending that the personnel and operational costs associated with six new parks (Fletcher, Rotary, North Preisker Ranch, Westgate, Sierra Vista and Jim May) be shifted to the appropriate Landscape & Maintenance Assessment Districts. This will result in a full-time Maintenance Worker II and two part-time Laborer III positions being reassigned from the General Fund to the Landscape & Maintenance Districts.

Faced with similar revenue reductions, libraries throughout the Black Gold system have resorted to reducing service hours, eliminating staff, significantly reducing their materials budgets and in some cases closure of facilities.

Given the significantly reduced revenues to Santa Maria Public Library, the only viable alternative is to reduce the materials budget as well as the personnel costs in both the Main Library and the City-run County Library Branches – with the latter having a direct impact on library hours. In total, staff recommends eliminating two full-time positions, a net reduction of one part-time position, and six limited service 19-hour per week positions.

Overall, staff recommends that one full-time Library Assistant and one full-time Office Assistant I assigned to the Main Library be eliminated, with the latter being replaced with a part-time Clerk II position. Staff is recommending the elimination of two part-time positions, a Clerk II in the Orcutt Branch Library and a vacant Senior Page position in the Main Library. In addition, staff is also recommending the elimination of two vacant Library Pages at the Main Library as well as four limited service Assistant Clerk positions (two of which are vacant). Of the Assistant Clerk positions, one is assigned to the Guadalupe Branch Library and three are assigned to the Main Library.

The above recommended reduction in staff will require the Main Library to reduce their hours of operation from 60 hours per week to 48 hours per week. Furthermore, the above reduction in staff will also require a reduction in library hours at two of the Branch Libraries (Orcutt going from 40 hours per week to 20 hours and Guadalupe going from 37 hours per week to 20 hours) with the Cuyama Branch continuing to operate at its current 11 hours per week. However, as of the writing of this Mid-Cycle Staff Report, the County was still in discussions with City staff in the hopes of securing additional

funding so as not to reduce the hours of operation at the Orcutt Branch Library.

General Government

In the General Government program area, no new program enhancements are being proposed. Rather, three (currently filled) full-time positions are recommended for elimination as are three vacant limited service positions. However, staff recommends replacing two of the three positions proposed for elimination with newly created part-time positions.

In the City Attorney's Office, in order for the department to reduce their operational expenses, staff recommends eliminating the Code Compliance Supervisor and the Code Compliance Technician positions and replacing them with two new part-time positions: a Code Compliance Coordinator and a Code Compliance Assistant. The two new part-time positions would perform similar work as the full-time positions, but at a reduced schedule.

Because of the downturn in construction-related activities in the City and due to the decrease in revenues associated with construction and building-related permits, a few months back staff recommended certain planning and building fee increases to the City Council. However, these recommendations were not approved. Consequently, the Community Development Department was required to reduce up to nine percent of their operating expenses which resulted in staff's recommendation to eliminate a full-time Building Permit Technician, two vacant limited service interns, and a reduction in contractual services expenses. In addition, the Advanced Planner has recently announced his plans to retire in the Fall. Upon his retirement, staff intends to keep his position open until the end of the fiscal year in order to help reduce operating costs. Accordingly, because of staff's need to decrease personnel and operational costs, there will no doubt be a reduction in the level of service currently being provided to the building and trade industry, such as reduced public counter hours, increased processing and review times, and possible delays in inspections to name a few.

Operational expense reductions of six percent were also made in the Mayor & City Council and the City Manager's Office budgets, with four percent reductions in the Department of Administrative Services. However, even with these operational expense reductions (primarily in business travel expense account), overall appropriations were increased in the Mayor & City Council's budget due to increased pension-related expenses.

In the City Manager's Office, the Chief Deputy City Clerk recently announced her plans to retire in December 2011. As part of a cost-savings move, staff does not intend to fill her vacant position until July 2012 and use the salary savings toward a portion of the department's six percent appropriation reduction. Staff is also recommending a reduction in the contribution the City makes to the Santa Barbara Foundation's Audience Development Grant Program.

In past years, the City has contributed \$10,000 annually toward the Santa Barbara Foundation's Audience Development Grant Program with the Santa Maria Valley Chamber of Commerce making a \$5,000 matching contribution. For 2011-12, because of the financial constraints in the General Fund, staff recommends reducing the City's contribution to \$5,000. However, even with the above operating reductions, because of increased pension-related costs as well as increased costs associated with animal control-related services and contractual services associated with a proposed revenue enhancement ballot measure (which is discussed further in the *Policy Issue* section of this report) proposed appropriations in the City Manager's Office are actually increasing in 2011-12.

And finally, even though the Department of Administrative Services reduced their budget by four percent, because of increases in pension-related expenses as well as anticipated property tax administration fees charged to the City by the County of Santa Barbara, appropriations in the Department of Administration Services are actually slightly increasing.

CONTRIBUTIONS TO OUTSIDE AGENCIES

Contributions to the Chamber of Commerce, the Historical Museum and Economic Development Services have historically been prescribed by the Municipal Code. And for the 2010 calendar year, Transient Occupancy Tax (or otherwise known as Bed Tax) revenue actually increased by 6.8 percent when compared to calendar year 2009.

However, even though the Bed Tax revenue has increased, staff's recommendation is that the allocations to outside agencies be based on the 2010-11 contribution amounts minus the six percent reduction that has been applied to the majority of non-public safety General Fund-related operating departments. Accordingly, the following is a summary of the recommended allocations to outside agencies:

	<u>2010-11 Budget</u>	<u>Proposed 2011-12</u>	<u>Increase (Decrease)</u>
Chamber of Commerce (8% Bed Tax)	\$ 283,570	\$ 266,556	\$ (17,014)
Economic Development Services	120,520	113,290	(7,230)
Historical Society	15,000	14,100	(900)
Museum of Flight	15,000	14,100	(900)
Subtotal	\$ 434,090	\$ 408,046	\$ (26,044)
Chamber of Commerce (2% Bed Tax)	248,120	233,233	(14,887)
TOTAL	\$ 682,210	\$ 641,279	\$ (40,931)

The proposed 2011-12 funding for the Chamber and Economic Development Services activities represent a \$128,000 cut to levels prescribed by the Municipal Code. The Chamber's budget has been cut 21.2 percent since 2008-09 compared to a cut of 6.2 percent for the aggregate of all General Fund non-public safety budgets.

Funding for the Museum of Flight is provided directly from General Fund revenues and is not tied to bed tax receipts nor the Municipal Code, as are the contributions to the Chamber and Historical Society. Consistent with previous City Council direction, the above proposed annual funding for the Museum of Flight is tied to the City's contribution to the Historical Society. Consequently, the above proposed budget calls for the City's contribution to the Museum of Flight be consistent with the Historical Society amount of \$14,100.

Consistent with previous Council direction dating back to 2009-10, the proposed budget does not allocate any Bed Tax revenue to the Convention Center Trust Fund and retains those funds in the General Fund. This action is based on the current economic conditions and fiscal constraints of the General Fund.

POLICY ISSUE REQUIRING COUNCIL ACTION

Proposed Revenue Enhancement Ballot Measure

In 2009, the City successfully competed and received \$4.3 million in American Reinvestment and Recovery Act (ARRA) Federal Stimulus funding to build two additional fire stations in the northern portion of the City. A northwest station located at Preisker Park and a northeast station located at Suey and Donovan Roads. The staff at Fire Station No. 3 will move from their current location on College Drive to the new location at Preisker Park. However, nine new fire fighting personnel will be required in order to staff the new Fire Station No. 5.

In July 2012, the much anticipated Fire Station No. 5 will be completed and with its completion comes the need to hire the necessary fire fighters to staff this new station. However, identifying the \$1.6 million in operational costs needed to staff a new station will be problematic given the City's current financial condition.

As indicated previously in this staff report, sales tax revenues are down \$2.1 million since 2007-08 and are at the same level as the City received back in 2004-05. Likewise, property tax revenue is consistent with amounts the City last received back in 2006-07, and construction-related permitting revenues are \$1.6 million less than the City received back in 2006-07. Yet, operating expenses (especially pension-related expenses) continue to increase. Consequently, our long-standing, historical revenue sources are not continuing to sustain and finance the City's ongoing General Fund operational expenses – even though the City has cut General Fund expenses by \$6.3 million since 2009-10. And since 2009-10, these expenses have resulted in the elimination (or in the case of public safety departments – not funding) of 21 full-time and 3 part-time positions. Having said that, should no new General Fund revenue source be identified and secured between now and July 2012, the City will have no other choice but to implement a modified “brownout” deployment in order to staff Fire Station No. 5.

A brownout is a cost savings measure that is typically implemented when a City has to reduce operating expenses related to staffing response units. A brownout refers to the practice of not staffing a fire engine when either a vacancy occurs or because of funding constraints. In a brownout scenario, when there is a vacancy, personnel

are moved from station to station leaving one engine without personnel to operate it. This is a departure from the standard operating practice of filling a vacancy with relief personnel or overtime personnel.

Therefore, due to the current fiscal constraints of the City, if there is no new revenue source identified to staff a fifth station, the City may have to resort to opening the new station and utilize a modified brownout or system status management plan to relocate an engine and crew from another district based upon anticipated call volume and time of day.

To put the fire-related call volume for the City in perspective, Fire Station No. 3 responds to the highest number of emergencies each year and most of their incidents occur in the evening and late-night hours. Fire Station 4 is the lowest call volume station in the City and typically the majority of responses occur during the daytime hours. The new Fire Station No. 5 is being built to help diffuse the high call volume in the northern area of the City and to equalize the call distribution.

The Santa Maria modified 'brownout' concept involves relocating an engine and crew from Fire Station No. 4 to Fire Station No. 5 between the hours of 7:00 P.M. and 7:00 A.M., and Fire Station No. 2 will cover the majority of the incidents that occur in Fire Station No. 4's district when Engine 4 is assigned to Fire Station No. 5. And while there is no way to guarantee when incidents might occur, this strategic move-up plan is intended to place an engine in the north part of the City during what is typically the busiest time of a shift.

Unless a new General Fund revenue source is identified, Santa Maria will have to resort to the above brownout scenario just like many other cities have had to because of dwindling revenues and increasing operational expense. In an effort to alleviate this scenario, staff is recommending that the City Council authorize the placement of a revenue enhancement ballot measure on an upcoming election ballot for voters' determination. Consequently, the policy issue before Council is a request from City staff to secure the services of an outside consultant to perform the necessary polling and surveying of the residents in an effort to determine whether or not a revenue enhancement ballot measure would be successful in the City.

Pursuant to Proposition 218, a City (including a Charter City) cannot increase any type of general tax without getting majority voter approval. For purposes of this discussion, a general tax can take the form of a sales tax over-ride, a parcel tax assessment, a utility users tax, to name a few. The intent is to secure the services of a consultant to perform the necessary analysis and poll and survey the residents to determine the type of tax that would receive the greatest chance of success when placed on the ballot. The consultant would also determine the size of the tax and the appropriate length or how long the tax should be in place, and when to place the item on the ballot – either in the June 2012 Primary Election or the November 2012 General Election.

In discussions with other cities that have been successful in taking revenue enhancement ballot measures to their electorate, they highly suggested the use of a consultant to help guide City staff through the arduous process of working with the

community to determine the type of item to place on the ballot. Accordingly, staff is recommending that Council set-aside \$45,000 in the budget of the City Manager's Office to cover the costs associated with securing the services of such a consultant.

The policy issue before Council is a recommendation from City staff to secure the services of an outside consultant for the sole purpose of assisting the City in placing a revenue enhancement ballot measure before the electorate that has the most successful chance of being approved by the majority of City voters.

Impact to the Community:

Adoption of the above recommended amendments to the 2011-12 City budget will allow municipal services to continue, but at a reduced service level in certain programmed areas. However, staff does intend to continue to provide City residents and businesses with the most efficient and cost-effective municipal services possible and continuing to adhere to high standards of exceptional customer service.



TIM S. NESS
City Manager

- Attachments:
- "A" - Summary of Proposed Budget and Staffing Levels
 - "B" - 2011-12 Proposed Position Allocation by Department
 - "C" - Fund Analysis
 - "D" - Schedule of Revenues and Other Financing Sources

ATTACHMENT A
Summary of Proposed Appropriations for Fiscal Year 2011-12

	PREVIOUSLY ADOPTED 2011-12	PROPOSED 2011-12	INCREASE/ (DECREASE)
GENERAL FUND:			
Police	\$ 22,251,290	\$ 21,995,060	\$ (256,230)
Fire	8,425,200	8,255,500	(169,700)
Public Works	2,568,540	2,496,600	(71,940)
Recreation & Parks	8,241,500	7,893,330	(348,170)
Community Development	3,003,490	2,768,790	(234,700)
City Attorney	1,071,440	1,045,810	(25,630)
City Manager	2,173,070	2,207,590	34,520
Administrative Services	7,600,750	7,632,430	31,680
Mayor & Council	156,810	156,860	50
Total General Fund	<u>55,492,090</u>	<u>54,451,970</u>	<u>(1,040,120)</u>
ENTERPRISE FUNDS:			
Water Resources	40,751,690	41,153,310	401,620
Solid Waste	19,112,030	19,312,300	200,270
Public Transit	8,829,150	9,017,210	188,060
Total Enterprise Funds	<u>68,692,870</u>	<u>69,482,820</u>	<u>789,950</u>
SPECIAL REVENUE FUNDS:			
Library	3,028,260	2,767,560	(260,700)
Park Acquisition & Development	600,000	600,000	
Park Residential Development Tax	75,000	75,000	
County Measure A	4,409,440	4,253,960	(155,480)
CDBG - Block Grant	1,376,230	1,418,690	42,460
RDA Tax Increment	1,197,490	1,292,000	94,510
Public Access TV	227,690	228,560	870
Traffic Safety	338,750	338,750	
Total Special Revenue Funds	<u>11,252,860</u>	<u>10,974,520</u>	<u>(278,340)</u>
TOTAL OPERATING FUNDS	<u>135,437,820</u>	<u>134,909,310</u>	<u>(528,510)</u>
LANDSCAPE SERVICES, MITIGATION & GRANT FUNDS:			
Growth Mitigation	2,205,000	2,205,000	
Landscape Services	3,765,950	4,249,110	483,160
Stowell Parking & Lighting	18,930	19,310	380
Grant Funds	100,000	-	
Total Landscape Services, Mitigation & Grant Funds	<u>6,089,880</u>	<u>6,473,420</u>	<u>483,540</u>
CAPITAL PROJECT FUNDS:			
General Fund	404,130	410,260	6,130
Gas Tax & Local Transportation	2,885,820	2,897,380	11,560
Developer/Grant Street Projects	138,380	138,380	
Total Capital Project Funds	<u>3,428,330</u>	<u>3,446,020</u>	<u>17,690</u>
INTERNAL SERVICE FUNDS:			
Fleet Services	5,589,590	5,495,270	(94,320)
LEAF Fund	3,000,000	2,691,000	(309,000)
Equipment	1,361,970	1,417,170	55,200
Insurance	2,729,260	2,842,740	113,480
Total Internal Service Funds	<u>12,680,820</u>	<u>12,446,180</u>	<u>(234,640)</u>
TOTAL CITY APPROPRIATIONS	<u>\$ 157,636,850</u>	<u>\$ 157,274,930</u>	<u>\$ (261,920)</u>

ATTACHMENT B
Position Allocation by Department for 2011-12

<u>DEPARTMENT</u>	<u>STATUS</u>	<u>AUTHORIZED 2011-12</u>	<u>PROPOSED 2011-12</u>	<u>INCREASE/ (DECREASE)</u>	<u>UNFUNDED*</u>
Police	FT	160	160	0	(5)
				Unfund: 4 Police Officers; 1 Crime Prev. Tech.	
Fire	FT	52	51	(1)	0
				Eliminate: 1 Fire Prevention Officer III	
Utilities	FT	83	86	3	0
	PT	5	2	(3)	0
		<u>88</u>	<u>88</u>	<u>0</u>	<u>0</u>
		Add: 1 Water Systems Operator; 2 Maintenance Worker I's - Eliminate: 3 PT Laborer III's			
Public Works	FT	42	43	1	0
	PT	12	11	(1)	0
		<u>54</u>	<u>54</u>	<u>0</u>	<u>0</u>
		Add: 1 Field Mechanic - Eliminate 1 PT Laborer III			
Recreation & Parks	FT	39	36	(3)	0
	PT	36	34	(2)	0
		<u>75</u>	<u>70</u>	<u>(5)</u>	<u>0</u>
		Eliminate: 1 Secretary; 1 Parks Services Officer II; 1 Recreation Technician; 2 PT Facility Specialist III's			
Library	FT	16	14	(2)	0
	PT	15	14	(1)	0
		<u>31</u>	<u>28</u>	<u>(3)</u>	<u>0</u>
		Eliminate: 1 Office Assistant I; 1 Library Assistant I; 1 PT Sr. Page			
Community Development	FT	23	22	(1)	0
	PT	1	1	0	0
		<u>24</u>	<u>23</u>	<u>(1)</u>	<u>0</u>
		Eliminate: 1 Building Permit Technician			
Attorney	FT	10	8	(2)	0
	PT	1	3	2	0
		<u>11</u>	<u>11</u>	<u>0</u>	<u>0</u>
		Eliminate: 1 Code Compliance Supervisor; 1 Code Compliance Technician - Add: 1 PT Code Compliance Coordinator; 1 PT Code Compliance Assistant			
City Manager	FT	11	11	0	0
	PT	3	3	0	0
		<u>14</u>	<u>14</u>	<u>0</u>	<u>0</u>
Administrative Services	FT	25	25	0	0
TOTAL FULL-TIME (FT)		461	456	(5)	(5)
TOTAL PART-TIME (PT)		73	68	(5)	0
GRAND TOTAL		534	524	(10)	(5)

* Note: In 2010-11, the City previously authorized, but did not fund, 6 public safety-related positions which remain unfunded.

ATTACHMENT C
Fund Analysis for Fiscal Year 2011-12

	Estimated 06/30/11 Fund Balance	Fiscal Year 2011-12 Activity				Estimated 06/30/12 Fund Balance
		Resources		Uses		
		Revenue	Transfers In	Appropriations	Transfers Out	
GENERAL FUND	\$ 16,268,870	\$ 46,391,190	\$ 6,871,840	\$ 52,084,140	\$ 2,367,830	\$ 15,079,930
ENTERPRISE FUNDS						
Water Resources	54,389,570	33,718,110		40,623,280	530,030	46,954,370
Solid Waste	62,024,010	17,774,910		18,814,630	497,670	60,486,620
Public Transit	7,629,920	7,014,390		8,908,180	109,030	5,627,100
Total Enterprise Funds:	124,043,500	58,507,410		68,346,090	1,136,730	113,068,090
SPECIAL REVENUE FUNDS						
Library	460,600	970,780	1,438,660	2,767,560		102,480
Park Acquisition & Development	1,019,710	131,050		600,000		550,760
Park Residential Development Tax	154,360	119,010		75,000		198,370
County Measure A	446,930	3,639,210	210,000	3,086,950	1,167,010	42,180
CDBG - Block Grant	453,690	1,413,310		1,143,440	275,250	448,310
RDA Tax Increment	29,070	1,308,320		1,292,000		45,390
Public Access TV	168,980	225,960		217,420	11,140	166,380
Traffic Safety	158,130	367,740		25,250	313,500	187,120
Total Special Revenue Funds	2,891,470	8,175,380	1,648,660	9,207,620	1,766,900	1,740,990
TOTAL OPERATING FUNDS	143,203,840	113,073,980	8,520,500	129,637,850	5,271,460	129,889,010
LANDSCAPE SERVICES, MITIGATION, & GRANT FUNDS						
Growth Mitigation	(4,702,810)	3,199,750		2,205,000		(3,708,060)
Landscape Services	3,008,140	2,544,920	1,151,090	3,432,520	816,590	2,455,040
Stowell Parking & Lighting	44,430	20,200		18,570	740	45,320
Grant Funds	329,870	5,530				335,400
Total Landscape Services, Mitigation, & Grant Funds	(1,320,370)	5,770,400	1,151,090	5,656,090	817,330	(1,207,700)
CAPITAL PROJECTS FUNDS						
General Fund Capital Projects	12,755,050	846,220		404,130	6,130	13,191,010
Gas Tax & Local Transportation	3,820,630	2,551,640		2,239,820	657,560	3,474,890
Developer / Grant Street Projects	(2,371,440)	138,380		138,380		(2,371,440)
Total Capital Projects Funds	14,204,240	3,536,240		2,782,330	663,690	14,294,460
INTERNAL SERVICE FUNDS						
Fleet Services	16,537,480	4,863,070		5,379,450	115,820	15,905,280
LEAF Fund	4,776,230				2,691,000	2,085,230
Equipment	6,179,210	1,176,280		1,406,790	10,380	5,938,320
Insurance Funds	5,104,690	2,694,540		2,740,830	101,910	4,956,490
Total Internal Service Funds	32,597,610	8,733,890		9,527,070	2,919,110	28,885,320
GRAND TOTAL	\$ 188,685,320	\$ 131,114,510	\$ 9,671,590	\$ 147,603,340	\$ 9,671,590	\$ 171,861,090

ATTACHMENT D
Summary of Revenues For Fiscal Year 2011-12

	PREVIOUSLY ADOPTED 2011-12	PROPOSED 2011-12	INCREASE (DECREASE)
GENERAL FUND:			
Taxes:			
Property Tax	\$ 13,928,000	\$ 14,082,600	\$ 154,600
Sales Tax	14,891,450	16,008,000	1,116,550
Transient Occupancy Tax	2,030,600	2,276,500	245,900
Other Taxes	4,197,730	4,176,500	(21,230)
Total Taxes	<u>35,047,780</u>	<u>36,543,600</u>	<u>1,495,820</u>
Revenues from Other Agencies:			
Vehicle License Fees	202,000	250,000	48,000
Other Subventions	1,157,090	1,237,090	80,000
Total Revenues from Other Agencies	<u>1,359,090</u>	<u>1,487,090</u>	<u>128,000</u>
Charges for Services			
Impacted Soil & Surplus Water	4,000,000	2,503,000	(1,497,000)
Other Charges for Services	2,870,290	2,832,130	(38,160)
Total Charges for Services	<u>6,870,290</u>	<u>5,335,130</u>	<u>(1,535,160)</u>
Other Revenues	517,770	351,630	(166,140)
Licenses, Permits, & Fines	1,615,710	1,365,710	(250,000)
Interest and Use of Property	1,203,630	1,308,030	104,400
Transfers	6,911,840	6,871,840	(40,000)
TOTAL GENERAL FUND REVENUES	<u>53,526,110</u>	<u>53,263,030</u>	<u>(263,080)</u>
ENTERPRISE FUNDS:			
Water Resources:			
Charges for Services	35,076,500	33,094,060	(1,982,440)
Interest and Use of Property	331,900	331,900	-
Other Revenue	285,570	292,150	6,580
Total Water Resources Revenue	<u>35,693,970</u>	<u>33,718,110</u>	<u>(1,975,860)</u>
Solid Waste:			
Charges for Services	16,272,430	17,179,930	907,500
Interest and Use of Property	507,530	507,530	-
State Grants	109,250	87,450	(21,800)
Total Solid Waste Revenue	<u>16,889,210</u>	<u>17,774,910</u>	<u>885,700</u>
Public Transit:			
Revenue From Other Agencies	5,554,970	5,998,440	443,470
Passenger Fares	938,040	938,040	-
Other Revenue	77,910	77,910	-
Total Public Transit Revenue	<u>6,570,920</u>	<u>7,014,390</u>	<u>443,470</u>
TOTAL ENTERPRISE FUND REVENUES	<u>59,154,100</u>	<u>58,507,410</u>	<u>(646,690)</u>

ATTACHMENT D
Summary of Revenues For Fiscal Year 2011-12

	PREVIOUSLY ADOPTED 2011-12	PROPOSED 2011-12	INCREASE (DECREASE)
SPECIAL REVENUE FUNDS:			
Library	2,726,200	2,409,440	(316,760)
Park Acquisition & Development	131,050	131,050	-
Park Residential Development Tax	119,010	119,010	-
County Measure A	4,322,220	3,849,210	(473,010)
CDBG - Block Grant	1,413,310	1,413,310	-
RDA Tax Increment	1,197,490	1,308,320	110,830
Public Access TV	225,960	225,960	-
Traffic Safety	367,740	367,740	-
TOTAL SPECIAL REVENUE FUNDS	10,502,980	9,824,040	(678,940)
TOTAL OPERATING FUNDS	123,183,190	121,594,480	(1,588,710)
LANDSCAPE SERVICES, MITIGATION & GRANT FUNDS:			
Growth Mitigation	3,199,750	3,199,750	-
Landscape Services	3,657,830	3,696,010	38,180
Stowell Parking & Lighting	20,200	20,200	-
Grant Funds	105,530	5,530	(100,000)
TOTAL ASSESSMENT, MITIGATION & GRANT FUNDS	6,983,310	6,921,490	(61,820)
CAPITAL PROJECTS FUNDS:			
General Fund	846,220	846,220	-
Gas Tax & Local Transportation	2,425,770	2,551,640	125,870
Developer/Grant Street Projects	138,380	138,380	-
TOTAL CAPITAL PROJECTS FUNDS	3,410,370	3,536,240	125,870
INTERNAL SERVICE FUNDS:			
Fleet Services	4,863,070	4,863,070	-
Equipment	1,176,280	1,176,280	-
Insurance	2,694,540	2,694,540	-
TOTAL INTERNAL SERVICE FUNDS	8,733,890	8,733,890	-
TOTAL CITY REVENUES	\$ 142,310,760	\$ 140,786,100	\$ (1,524,660)