



Fiscal Year 2013-14 Budget Study Session II

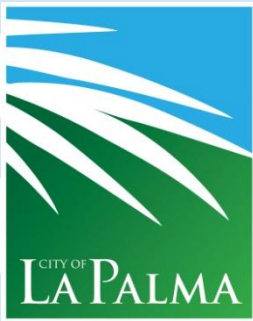
*City Council Study Session
March 11, 2013*



Prelude

- Follow-up from January 28 Budget Study Session
- Discuss two year staff plan
- Provide clear direction to begin budget development
- Major Milestones:
 - April 16:
 - Capital Improvement Program presentation
 - General Fund budget overview
 - May 7:
 - Proposed budget presentation
 - May 21:
 - Additional budget discussion
 - June 4:
 - Consider adoption of FY 2013-14 budget

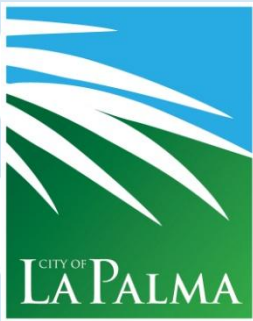




Recommended Actions for Tonight

- Receive and review two year Staff plan for developing FY 2013-14 General Fund budget
- Provide direction on Staff plan and assumptions:
 - ***Which recommended expenditure reductions, revisions to services, revenue changes, and one-time use of reserves should staff continue to develop into a draft FY 2013-14 budget to be presented to the City Council on May 7, 2013?***

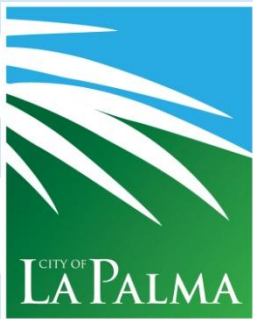




FY 2013-14 General Fund Preliminary Gap Analysis

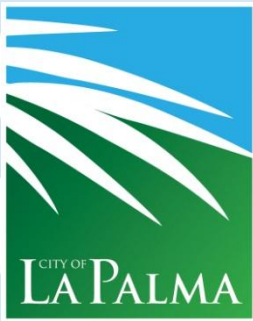
<i>Projected Fund Balance 06/30/2013</i>	\$	12,680,200
FY 2013-14 Preliminary Expenditures	\$	(9,260,490)
FY 2013-14 Estimated Revenues	\$	7,925,800
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Variance – Surplus / (Deficit)	\$	(1,334,690)
Transfer to COR	\$	400,000
<i>Projected Fund Balance 06/30/2014*</i>	\$	10,945,510
06/30/2014 Fund Balance as % of Expend		118.2%

*June 30, 2013 projected fund balance net of deficit and transfer to COR



Staff Plan Overview

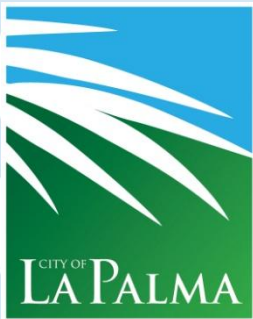
- **Balanced budget for FY 2013-14:**
 - 13% reduction in expenditures vs. FY 2012-13 adopted budget
 - Reduction in staffing (changes from January 28):
 - 1.0 additional FTE eliminated, plus hold 1.0 more vacant
 - Reduce one position from full-time to part-time
 - Reduction in total number of part time hours
 - **Authorized FTE drops by 10.0 from approved FY 2012-13 Budget**
 - 54.0 FTE vs. 64.0 FTE
 - Impacts 4 departments
- **FY 2014-15 surplus (revenue over expenditures)**



What Changed?

- Some proposed reductions/revisions removed from January 28 staff plan
 - Per City Council direction
- New reductions/revisions added to March 11 plan
 - Necessary to close gap for FY 2013-14



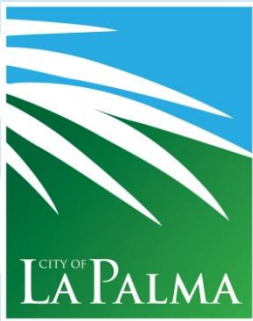


What Changed?

- Dollar amounts of reductions/revisions removed vs. kept per January 28 City Council direction

	KEEP	REMOVE	TOTAL
CITYWIDE	150,000	32,400	182,400
INTERNAL SERV FUND ALLOCATIONS		461,100	461,100
ADMINISTRATION	7,600		7,600
COMMUNITY DEVELOPMENT	44,250	400	44,650
FINANCE	2,000		2,000
POLICE	277,500	16,500	294,000
PUBLIC WORKS		26,800	26,800
REC & COMMUNITY SERVICES	203,800		203,800
TOTAL REDUCTIONS & REVISIONS:	\$685,150	\$537,200	\$1,222,350

Two year Staff plan proposes additional revenue, reductions and revisions to makeup for “removed” amount



Revisiting the Staff Plan

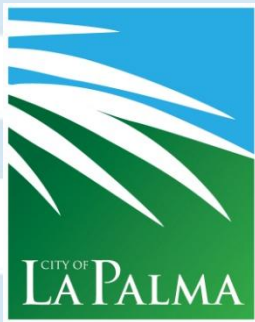
- Major Changes from January 28 plan:
 - No use of reserves or fund balance for operating
 - Maintain internal service fund allocations/balances
 - Additional staff reductions
 - Citywide 4 day furlough
 - Maintain vacancies in Police
 - Eliminate “Fit N Fun” program
 - Two Year plan vs. one year
 - Eliminate “Run for Fun” (FY 2014-15)





Revisiting the Staff Plan

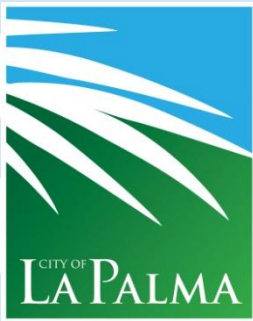
- Major Changes from January 28 plan:
 - Eliminate Management Team wellness benefit
 - Reduce information technology services' contract (Brea IT)
 - Retained funding for Administrative Services Bureau (Police)
 - Retained funding for block wall/median maintenance (Public Works)



Staff Plan: FY 2013-14 Balanced Budget

Proposed Expenditure Reductions / Revisions	\$	(911,050)
Proposed Revenue Enhancements	\$	427,000
Estimated FY 2013-14 Expenditures	\$	8,349,440
Estimated FY 2013-14 Revenue	\$	8,352,800
Variance – Surplus / (Deficit)	\$	3,360
Transfer to COR	\$	(400,000)
Triple-Flip Over-Allocation	\$	(162,500)
City Council 2013 Goals (“Start-up”)	\$	(50,000)
Investment of Reserves (One-Time Use)	\$	(2,130,000)
Projected Fund Balance 06/30/2013	\$	12,680,200
Projected Fund Balance 06/30/2014*	\$	9,991,060
06/30/2014 FB as % of Expend		119.7%

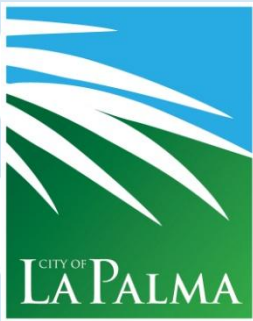
*Net of FY 2013-14 one-time use of reserves for COR transfer, triple-flip over-allocation, infrastructure/technology investments and City Council Goals projects (start-up costs).



Reductions and Revisions: March 11 Staff Plan

- Proposed REDUCTIONS to Services and REVISIONS to Operations total **\$911,050**

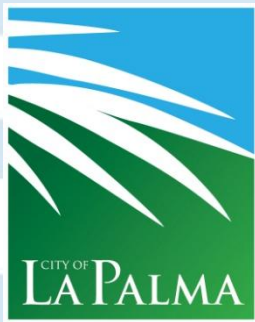
	REDUCTIONS	REVISIONS	TOTAL
CITYWIDE	127,100	162,000	289,100
INTERNAL SERV FUND ALLOCATIONS	0	0	0
ADMINISTRATION	12,000	3,600	15,600
COMMUNITY DEVELOPMENT	82,000	250	82,250
FINANCE		8,000	8,000
POLICE	8,500	235,800	244,300
PUBLIC WORKS	39,500	5,000	44,500
REC & COMMUNITY SERVICES	193,500	33,800	227,300
TOTAL REDUCTIONS & REVISIONS:	\$462,600	\$448,450	\$911,050



Revenue Enhancements: March 11 Staff Plan

Increased interest earnings	\$10,000
Increased Corporate Connection Funding	\$6,000
Fee revisions	\$100,000
Summer Concerts Food Trucks/Beer & Wine	\$5,000
Additional / alternative advertising	\$40,000
Share Crossing Guard Costs (reimbursement)	\$16,000
Additional Sales Tax	\$250,000
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	\$427,000

Indicates "New or Modified since January 28"



One-Time Use of Reserves: March 11 Staff Plan

Reserve for triple-flip over allocation	\$	(162,500)
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One-Time Infrastructure / Technology Projects

Purchase of Street Lights from SCE	\$	(600,000)
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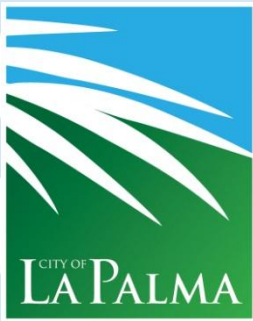
Energy Capital Projects	\$	(1,280,000)
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800 Mhz Radio Upgrade (Police)	\$	(200,000)
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City Council Goals “Start Up” Costs	\$	(50,000)
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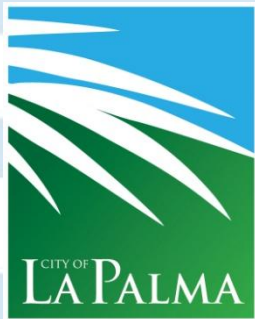
Total One-Time Use of Reserves	\$	(2,130,000)
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Indicates “New or Modified since January 28”



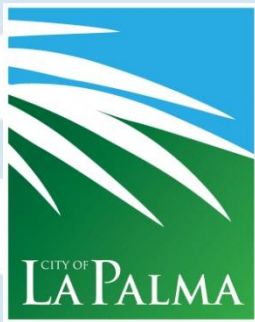
Staff Plan Outcomes: FY 2013-14

- More than \$900,000 in savings identified
 - *68% of gap closed through service cuts and revisions to operations*
- \$427,000 in additional revenue
 - *32% of the solution from revenue*
- One-time use of reserves for one-time costs
- *Projected fiscal year ending Fund Balance estimated at 120 % of expenditures*



Consequences and Impacts

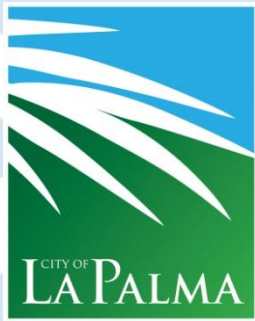
- Direct impact to service
 - *Residents will notice...*
- *City Hall closed 4 additional days in the year*
- *Community Development services by appointment only in the afternoons*
- *Fewer staff (internal impacts also)*
- *Reduced technology support*
- *Loss of youth program*
- *Elimination of community event (FY 2014-15)*



Staff Plan: FY 2014-15 Surplus

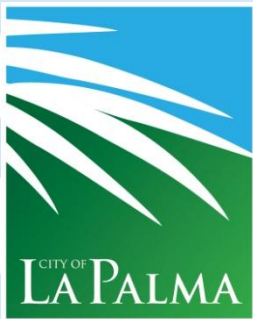
Proposed Expenditure Reductions / Revisions	\$	(812,250)
Proposed Revenue Enhancements	\$	739,500
Estimated FY 2014-15 Expenditures	\$	8,494,940
Estimated FY 2014-15 Revenue	\$	8,741,500
Variance – Surplus / (Deficit)	\$	246,550
Transfer to COR	\$	(100,000)
Add'l COR Transfer (set-aside sales tax)	\$	(500,000)
City Council 2014 Goals (“Start-up”)	\$	(50,000)
Investment of Reserves (One-Time Use for 800 mhz project)	\$	(400,000)
Projected Fund Balance 06/30/2014	\$	9,991,060
Projected Fund Balance 06/30/2015*	\$	9,187,610
06/30/2014 FB as % of Expend		108.2%

*Net of FY 2014-15 one-time use of reserves for COR transfer, infrastructure/technology investments and City Council Goals projects (start-up costs).



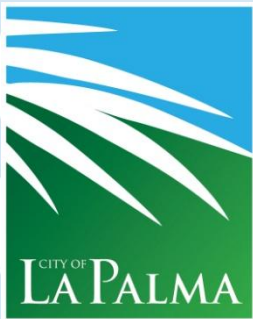
Consequences and Impacts

- Majority of reductions/revisions in FY 2013-14 are on-going (vs. one-time)
 - Carried over to FY 2014-15...
 - Continued direct impact to services...
 - One-time furlough savings not used in FY 2014-15
 - Assumes unspecified savings from MOU re-negotiations



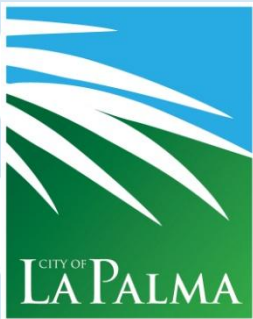
Additional Items to Consider

- Staff plan assumes use of “Tesoro” sales tax to fund operating expenses
 - \$250,000 in FY 2013-14 and \$500,000 in FY 2014-15
 - \$500,000 transferred to COR or proposed for other non-operating use in FY 2014-15
- Important to not (again) become overly dependent on one source of revenue
- Important to not assume too much for operations given uncertainty surrounding revenues to be realized
- Important to use a continuing revenue source for other needs (CIP, economic development, infrastructure, technology...)
- ***Is there support for this assumption?***



Additional Items to Consider

- Staff plan assumes no use of reserves for operating expenses in FY 2013-14
- *What happens if portions of Staff plan rejected?*
 - *Budget will be out of balance*
 - *Will need to find alternatives to close the gap...*
- *Additional reductions to services and/or staff*
- *Use of reserves (one-time)*
- *Reduction in allocation to internal service funds*
 - *Reserves and internal fund balances policy is pending*



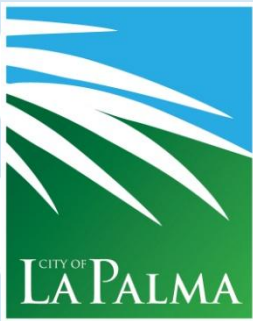
2013 Goals and Staff Plan

2013 Goal:

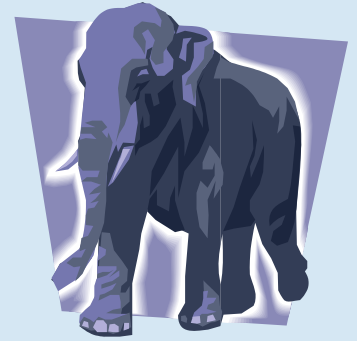
- Balance Budget
- Reduce Personnel Costs
- Reduce overall GF Expenditures
- Review Reserves Policy
- Develop OPEB Plan
- Finalize fees

Staff Plan:

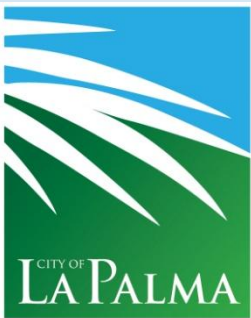
- Staff Plan balanced
- Authorized FTE 16% lower
- Full-time personnel costs 7% lower than adopted FY 2012-13 budget
- Part-time costs 14% lower than FY 2012-13 adopted budget
- General Fund Expenditures cut 13% vs. adopted FY 2012-13 Budget
- Reserves Policy scheduled for March 19 discussion
- Council decision to establish an OPEB trust scheduled for April 16
- Fees hearing and resolution adoption scheduled for March 19



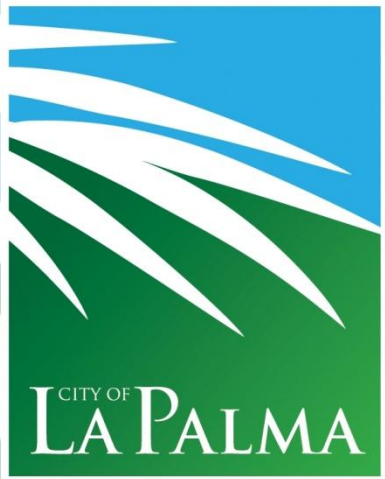
Next Steps...



- **Tonight:** Staff receives direction on Staff Plan
- **Tomorrow:** Staff begins budget development for FY 2013-14, incorporating City Council guidance on each element of the Staff plan
- **The Day After Tomorrow:**
 - CIP, fees, GASB 45, reserves policy discussions over the next few months will impact proposed FY 2013-14 budget



Questions?



Fiscal Year 2013-14 Budget Study Session II

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March 11, 2013*