



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 10, 2008

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Recommended Operating And Capital Budget For Fiscal Year 2009

RECOMMENDATION: That Council:

- A. Continue and close the public hearing on the City Administrator's Recommended Operating and Capital Budget for Fiscal Year 2009;
- B. Receive the Finance Committee's recommendations based on its review of the Fiscal Year 2009 recommended budget; and
- C. Provide final direction to staff on the Fiscal Year 2009 recommended budget.

DISCUSSION:

On April 15, 2008, the City's Administrator's Recommended Operating and Capital Budget for Fiscal Year 2009 was filed with the City Clerk pursuant to City Charter requirements. At the City Council meeting that same day, staff presented an overview of the recommended budget and Council approved the schedule of public hearings and work sessions in connection with the review of the recommended budget.

At the first budget work session on April 25, 2008, the public hearing on the recommended budget was opened and staff made presentations on the recommended budgets for the City Administrator's Office, City Attorney, Mayor and Council, Library, and Parks and Recreation departments. On May 7, 2008, Council heard budget presentations from the Public Works and Community Development departments, followed by a work session on May 12, 2008, where Council heard presentations on the Airport, Waterfront, Administrative Services, Finance, and Non-Departmental budgets. The department presentations were concluded at the fourth budget work session on May 14, 2008, when Council heard presentations from the Fire and Police departments.

Tonight's meeting is the final budget public hearing where Council will take public comment on the recommended budget, receive the Finance Committee's budget recommendations, and give final budget direction to staff in anticipation of budget adoption scheduled on June 24, 2008.

Finance Committee Review of the Recommended Budget

After the recommended budget was filed, the Finance Committee held five meetings to review various topics and issues related to the recommended budget. The following budget items were reviewed by the Committee:

April 22, 2008: General Fund balancing strategy and proposed adjustments

April 28, 2008:

1. General Fund appropriations and proposed adjustments by department
2. General Fund revenue assumptions and estimates
3. The updated General Fund Multi-Year Forecast

May 6, 2008: Community Development fees and revenues

May 13, 2008:

1. Parks and Recreation and Police departments on youth programs
2. Public Works department on streets, circulation, and transportation funding and projects

May 20, 2008:

1. Potential impacts of State, County and School District budget issues on public safety (police and fire) operations and the General Fund budget
2. Parks Forestry operations and recommended budget adjustments

At a special meeting on May 28, 2008, the Finance Committee concluded its review of the fiscal year 2009 recommended budget, considered staff's proposed budget adjustments, and formulated its own budget recommendations for the full Council. The Finance Committee and Staff Recommended Adjustments are summarized in the attachments and discussed below:

Finance Committee Recommended Adjustments

Restore Funding for Overtime and Hourly Salaries, Training, and the Police Captain position in the General Fund Police Department (\$217,866)

Concerned about the size of the proposed expenditure adjustments to the Police budget and the potential impacts to public safety services, the Committee recommends the following adjustments to the Police Department budget: restore overtime and hourly salaries (+\$53,010) and training (+\$37,269), and increase funding for a Police Captain position to 100%, rather than 50% as originally proposed by staff (+\$127,587). Staff's original proposal was to delay filling the Police Captain position for six months later this year when it is expected to become vacant due to a retirement.

The Committee discussed funding the \$217,866 adjustment by either reducing the General Fund appropriated reserve or by allocating additional monies to the General Fund from a \$1.25 million workers' compensation program rebate planned and budgeted for fiscal year 2009 to all funds. The rebate currently is allocated to all city funds in proportion to premiums paid and will be funded from reserves in the Self-Insurance Fund generated over the last few years from favorable claims experience across all city departments. However, after considerable discussion, the Committee recommended leaving the method of allocating the rebate intact, and instead funding the Police adjustments by increasing the overall rebate citywide by \$339,851, of which 64% (\$217,866) would accrue to the General Fund, providing funding for the Committee's recommended adjustments. There are sufficient Risk Management reserves above the actuarially required levels to support the additional one-time rebate.

Staff Recommended Adjustments

Since the filing of the recommended budget in mid-April, new information has come to light requiring adjustments to the recommended budget as filed. These adjustments as recommended by staff were presented to the Finance Committee in detail and approved unanimously by the Committee.

1. *General Fund Transfer to the Downtown Parking Fund for the RV Overnight Parking Program*

In the current fiscal year, Council approved funding for an agreement with New Beginnings Counseling Center to manage the city's new RV Overnight Parking Program. The program has been very successful this past year and staff recommends adding funding to next year's budget to continue the program. To fund the program in fiscal year 2009, \$43,400 would be transferred from the General Fund appropriated reserve to the Downtown Parking Fund.

2. *Reduce City Council Salaries and Benefits in the General Fund*

City Charter Section 502, passed by voters as Measure A in November 2004, sets the annual compensation for the Mayor and City Councilmembers. The Mayor's annual salary is set at 100% of the annual area median income (AMI) and Councilmembers' salaries at 80% of the AMI, with the salaries adjusting on April 1 of each year. Staff included a 2% assumed increase for the April 1, 2008, AMI adjustment as part of the recommended budget; however, the actual AMI figure came in 2.894% below the previous AMI. This will result in \$19,093 in General Fund salary and benefits savings in the Mayor and Council program. This was brought to the Finance Committee as a staff recommended adjustment based on direction from Councilmembers during the Mayor and Council budget presentation on April 25, 2008.

3. *Reduce Appropriations for the Parking Revenue Control Project in the Downtown Parking Fund Capital Program*

Staff initially proposed the addition of \$850,000 to an existing multi-year capital project in the recommended budget to replace the revenue control system in the downtown parking lots and garages. Based on a revised recommendation from staff, it is now recommended that project be broken into discrete phases with only \$410,000 needed to complete the work planned for next fiscal year, not the \$850,000 originally submitted in the recommended budget. This would result in a reduction of \$440,000 in the Downtown Parking Fund capital program for fiscal year 2009. Remaining funding for the project would be included in the next two-year financial plan.

4. *Additional Funding for Increased Water Treatment Costs in the Water Fund*

As discussed at the May 7, 2008 Council worksession, Water Fund staff has seen a substantial increase in costs to treat city water due to high levels of water contaminants caused by debris run off from the Zaca Fire last summer. Based on the Cater Plant treatment costs incurred in the current fiscal year and a recent staff analysis of next year's anticipated costs, the recommended budget does contain sufficient appropriations for water treatment chemicals. This adjustment would result in an increase of \$1.5 million for chemical supplies in the Water Fund budget, funded from available reserves. However, staff currently is working with the State Office of Emergency Services to secure a \$4 million reimbursement for additional chemical costs and de-sludging at Gibraltar Dam which, if received, would be returned to the fund's reserves.

5. *Additional Funding for Alternative Transportation in Measure D Fund*

It is recommended that additional funding for estimated CPI increases associated with the contracts with MTD for the Electric and Commuter Shuttles and Enhanced Transit programs be added to the recommended budget. Additionally, the costs associated with MTD Bus Lines 6 and 11 were not included in the recommended budget because implementation of these lines was dependent upon support from other agencies, which has now been secured. The total recommended adjustment for Alternative Transportation is \$200,000 in the Measure D Fund and would be funded from available reserves.

6. *Add City Hall Computer Room HVAC, Power Replacement, and Fire Detection and Suppression System Project in the Information Systems Fund*

As discussed at the Administrative Services budget presentation on May 12, 2008, it is recommended that a new project be added to replace the City Hall computer room HVAC system and install uninterruptible power supply and distribution equipment and a fire detection and suppression system in order to protect the city's computer network and bring the computer room up to industry standards. Appropriations totaling \$85,000 would be added to the Information Systems Fund budget to cover the cost of this new

project. The majority of the project would be funded from a \$50,000 Microsoft settlement check that was received in the current year and the balance of funding would come from Information Systems Fund reserves.

Other Discussion Items

In light of the additional Parks Forestry program information received from staff on May 20, 2008, the Finance Committee discussed staff's proposal to leave a Senior Tree Trimmer position vacant next fiscal year. In the end, the Committee did not recommend any adjustment related to this item. Instead, the Committee requested that staff return to the Finance Committee after six months with a review of the performance impacts of leaving the tree trimming position vacant. The Committee felt that it would be in a better position at that time to determine if budget adjustments would be needed.

Likewise, in response to concerns about the elimination of a Rental Housing Mediation Task Force position in the Community Development Block Grant Fund, the Committee requested that staff return after six months with a trend analysis of the rental housing mediation caseload over the past several years and a report on performance impact of the eliminated position.

Conclusion

After the Council reviews the Finance Committee's recommendations, staff will ask Council to provide direction on the Committee's recommended adjustments and any other adjustments to the fiscal year 2009 recommended budget. These final changes will be incorporated into the budget resolutions that will be approved by Council as part of budget adoption on June 24, 2008.

ATTACHMENTS: 1. Finance Committee Recommended Budget Adjustments
2. Additional Workers' Compensation Rebate

PREPARED BY: Jill Taura, Budget Manager

SUBMITTED BY: Robert D. Peirson, Finance Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
Recommended Budget for Fiscal Year 2009

FINANCE COMMITTEE RECOMMENDED BUDGET ADJUSTMENTS

	<u>Appropriations</u>	<u>Revenues</u>
GENERAL FUND		
Restore Training in Police Department	37,269	-
Restore Overtime and Hourly Salaries in Police Department	53,010	-
Restore 100% Funding for Police Captain in Police Department	127,587	-
Additional Workers' Compensation Rebate *	-	217,866
Decrease Salaries & Benefits in Mayor and Council's Budget	(19,093)	-
Transfer Out For RV Overnight Parking Program in Non-Departmental	43,500	-
Reduce Appropriated Reserve to Balance General Fund	(24,407)	-
TOTAL GENERAL FUND	<u>\$ 217,866</u>	<u>\$ 217,866</u>

* Detail of additional workers' compensation rebate to other city funds shown on Attachment II.

	<u>Appropriations</u>	<u>Revenues</u>	<u>Use of Reserves</u>
DOWNTOWN PARKING FUND			
Funding for RV Overnight Parking Program	\$ 43,500	\$ 43,500	\$ -
Reduce Revenue Control System Capital Project	(440,000)	-	(440,000)
TOTAL DOWNTOWN PARKING FUND	<u>\$ (396,500)</u>	<u>\$ 43,500</u>	<u>\$ (440,000)</u>
WATER FUND			
Increase for Cater Water Treatment Chemicals	\$ 1,500,000	\$ -	\$ 1,500,000
TOTAL WATER FUND	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>
MEASURE D (TRANSPORTATION SALES TAX) FUND			
Increase Alternative Transportation funding	\$ 200,000	\$ -	\$ 200,000
TOTAL MEASURE D FUND	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>
INFORMATION SYSTEMS FUND			
Add City Hall Computer Room Project	\$ 85,000	\$ -	\$ 85,000
TOTAL INFORMATION SYSTEMS FUND	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>

CITY OF SANTA BARBARA
Recommended Budget for Fiscal Year 2009
FINANCE COMMITTEE RECOMMENDED BUDGET ADJUSTMENTS

Additional Workers' Compensation Rebate

	FY 09 Proposed (Two-Year Plan)		Additional W/C Rebate
General Fund	\$ 1,698,246	64.11%	\$ 217,866
Other City Funds			
Miscellaneous Grants	863	0.03%	111
GPU	661	0.02%	85
RDA	-	0.00%	-
Housing & RDA	-	0.00%	-
Creeks	7,964	0.30%	1,022
Solid Waste	6,386	0.24%	819
Wildland Fire	5,400	0.20%	693
CDBG	2,485	0.09%	319
Federal Home Loan	285	0.01%	37
Police - SLESF	12,699	0.48%	1,629
County Library	15,349	0.58%	1,969
Streets	82,082	3.10%	10,530
Street Sweeping	7,295	0.28%	936
Measure D	23,894	0.90%	3,065
Water	181,244	6.84%	23,251
Wastewater	123,341	4.66%	15,823
Downtown Parking	78,681	2.97%	10,094
Airport	78,803	2.97%	10,109
Golf	30,875	1.17%	3,961
ICS	127,647	4.82%	16,375
Vehicle Capital	3,071	0.12%	394
Information Systems	4,622	0.17%	593
Waterfront	157,229	5.94%	20,170
Subtotal - Other Funds	<u>\$ 950,876</u>	<u>35.89%</u>	<u>\$ 121,985</u>
Grand Total	<u>\$ 2,649,122</u>	<u>100.0%</u>	<u>\$ 339,851</u>