



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 10, 2009

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Fiscal Year 2010 Balancing And Adjustments

RECOMMENDATION:

- A. Approve the adjustments to budgeted revenues and expenditures for Fiscal Year 2010 as detailed in the Summary of Recommended Budget Adjustments to address the projected revenue shortfall in the General Fund; and
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Amending Resolution No. 09-043, Establishing Certain City Fees, Including Water and Wastewater Rates, to Authorize Adjustments to Parks and Recreation Fees and Adjust the Fee for Reserving Library Materials.

DISCUSSION:

On June 23, 2009, Council approved the Fiscal Year 2010 budget that included budget cuts and revenue enhancements to close a projected \$10.5 million deficit caused by rising costs and unprecedented declines in revenues. Since budget adoption in June, revenues further deteriorated beyond the levels assumed in the fiscal year 2010 adopted budget. As a result, staff now projects a shortfall in revenues of approximately \$2.9 million by the end of Fiscal Year 2010. In addition, the City did not receive a federal public safety grant totaling \$451,420 in connection with the American Recovery and Reinvestment Act to fund four police officers.

On September 3, 2009, staff presented to Council the current revenue outlook and options for addressing the projected \$2.9 million shortfall in revenues for Fiscal Year 2010. This recommended approach to address the revenue shortfalls is shown in the Attachment.

The projected revenue shortfalls for Fiscal Year 2010 and recommended strategy to address them are summarized below.

Projected Revenue Shortfalls

Sales Taxes	\$ 1,073,842
Transient Occupancy Taxes	675,030
Property Taxes	433,655
Utility Users' Taxes	325,671
Loss of COPs Grant Funding	<u>451,420</u>
Total	<u>\$ 2,959,618</u>

Recommended Strategy

General Fund Departmental Adjustments	\$ 1,565,354
Internal Service Fund Rebates	122,663
Shift Surcharge for Utility Under-grounding to General Fund	359,000
Workers' Compensation Premium Rebates	300,000
Transfer from Street Sweeping Fund	100,000
Use of General Fund Contingency Account	<u>512,601</u>
Total	<u>\$ 2,959,618</u>

Recommended Adjustments to the FY 2010 Adopted Budget

The adjustments recommended by staff are based on projections of revenues from data through September 2009. The revenue outlook for this year has not materially changed since our report to Council on September 3, 2009. However, staff will continue to monitor revenues closely throughout the year. In addition, staff will be back to the Finance Committee and City Council on November 17th with our first quarter budget review and will provide Council and Committee members at that time with an update on revenues. We will also be back to the Committee and Council in February 2010 with a mid-year report and updated revenue projections, which will factor in the next sales tax data for the quarter ended September 30, 2009 expected in mid-December as well as several more months of TOT revenue data.

Reduce Major General Fund Revenue Estimates

Since June, major General Fund revenues have continued to decline below the levels assumed in the fiscal year 2010 adopted budget, including Sales Tax, Property Tax, Transient Occupancy Tax, and Utility Users Tax. As a result, staff recommends adjusting the Fiscal Year 2010 revenue estimates to reflect this additional \$2.9 million decline.

Rebates from Certain Internal Service Funds

Staff recommends a reduction in the charges from the Facilities Maintenance and Fleet Maintenance Internal Service Funds to the General Fund by a total of \$122,663. These two internal service funds have savings from vacant positions to offset the loss of revenues from the reduced charges to the General Fund. The General Fund annually pays approximately \$9.5 million for information systems, building maintenance, vehicle maintenance and replacement, risk management, custodial and communications services. Staff is not recommending any reductions in charges from the Information Systems or the Self-Insurance internal service funds this year.

Shift Electric Surcharge for Under-grounding of Utilities to General Fund

In August 2005, the Public Utilities Commission (PUC) approved the City's increase to the Southern California Edison (SCE) franchise fee, from 1% to 2%. One-half (50%) of the revenues have been dedicated to under-grounding of utility lines. Since then, the portion dedicated to under-grounding has been accounted for in a separate fund. There are no restrictions on the use of these revenues and staff recommends shifting this revenue into the General Fund.

Rebate of Workers' Compensation Program Premiums

Over the last several years, as a result of an improved safety record and fewer employee injuries, workers' compensation claims have gone down. In addition, the actuarially required reserves that are calculated by an independent actuary for outstanding claims have been lowered due to the improved loss experience. As a result, premiums paid over the last several years by all City funds into the Self-Insurance Fund for the workers' compensation program have exceeded the amounts needed for annual claims expenses and required assets to fund outstanding claims.

As of June 30, 2009, excess payments attributable to the General Fund amount to \$3.1 million. On October 27, 2009, the City Council approved transferring \$2.2 million of these monies to help offset the remaining General Fund Fiscal Year 2009 revenue shortfall. Staff recommends an additional \$300,000 of the remaining \$900,000 be used to help close the current Fiscal Year 2010 General Fund shortfall.

Transfer of Funds from the Street Sweeping Fund

The Street Sweeping Fund was created approximately five years ago to fund the residential street sweeping program. At that time, Council approved the creation of a separate fund and the allocation of parking citation revenues from vehicles parked in the marked no-parking areas on sweeping days as the primary funding source of the program. These operations could have been accounted for in the General Fund since the funds are not restricted.

During the initial years as the program was expanding to more residential neighborhoods, revenues from parking citations exceeded the program costs. As of June 30, 2009, the Street Sweeping Fund had approximately \$500,000 of funds accumulated from revenues exceeding costs since the program's inception. On October 27, 2009, Council approved allocating \$200,000 of these funds to the General Fund to assist in addressing the outstanding Fiscal Year 2009 revenue shortfall. Staff is recommending an additional \$100,000 be allocated to the General Fund to help close the fiscal year 2010 General Fund shortfall. This will leave a total of approximately \$200,000 in the Streets Sweeping Fund as an operating reserve of approximately 20% of operating costs. In addition, now that the program is fully implemented, revenues are in line with operating costs.

Use of the General Fund Contingency Account

The Fiscal Year 2010 Adopted Budget includes \$698,302 established as a contingency account in light of the uncertain economic environment. Staff recommends using \$512,601 of these reserves to balance the General Fund, leaving a balance of \$185,701.

Department Adjustments

The departmental adjustments reviewed with Council on September 3, 2009, are shown in the attached Summary of Recommended Budget Adjustments. The adjustments include a variety of ongoing measures including reductions for anticipated salary and benefit savings, increased fees/revenue opportunities, and cost shifts in the City Administrator's Office, Community Development, Finance, Library, Parks and Recreation, Police, and Public Works.

Many of the departmental adjustments involve keeping positions vacant through the remainder of the fiscal year to generate cost savings. While it is important to note that no employee layoffs are currently recommended this year, layoffs may be needed to address the projected General Fund deficit in Fiscal Year 2011.

With regard to the \$500,000 savings in the Police Department, the budget reduction will not affect the number of authorized sworn police officers, which is currently at 140. The savings will be achieved from 7-9 sworn position vacancies from the start of the fiscal year through January 2010 when the next academy commences. Patrol team strength is designed to accommodate fluctuations in staffing levels, such as vacancies caused by injuries, training needs, and military deployments. It is not unusual for the Patrol Division to have 5-10 officers involved in some form of long-term training at any given time. As such, no redeployment of sworn strength is recommended to backfill vacancies in patrol.

Other Recommended Adjustment

Police – Animal Control

Staff recommends a \$101,868 increase in appropriations in the Police Department's Animal Control Program to cover the cost of the approved Animal Control Supervisor position through April 2010. The fiscal year 2010 Budget incorrectly excluded funding for the position. Staff recommends the increase in appropriations to the Police Department be funded from the allocation of the General Fund contingency account (i.e., the appropriated reserves).

Amendments to the FY 2010 Schedule of Penalties, Fees, and Service Charges

The staff recommended adjustments include two amendments to the City's Fiscal Year 2010 Schedule of Penalties, Fees, and Service Charges:

Authorizing Adjustments to Parks and Recreation Fees – Historically, the City's fee resolution provided authorization for the City Administrator or the City Administrator's designee to make upward or downward adjustments in fees and charges to accommodate fluctuation in program costs and demand and to allow for flexibility in providing programs and services. Due to an oversight it was not included in the fee resolution applicable to Fiscal Year 2010. In the past, this authority excluded golf, tennis, and Arts and Craft Show permit fees. Staff recommends extending the authority to include adjustments to golf and tennis fees, while continuing to exclude changes to Arts and Crafts Show permit fees.

Fee on Juvenile Materials Holds – The Santa Barbara Public Library is a member of the Black Gold Cooperative Library System. Because every other Black Gold library charges for all material holds, including juvenile materials, the automated system was programmed to add this fee to all holds placed in the system. Santa Barbara Public Library staff must now manually delete this charge for each juvenile materials hold, approximately 26,000 annually. The recommended amendment to the City's fee schedule will save significant staff time by removing the fee exemption for juvenile materials holds.

BUDGETARY/FINANCIAL INFORMATION:

The recommended budget adjustments, if approved, would avoid the use of General Fund reserves through departmental adjustments and transfers from other funds. Those funds transferring monies to the General Fund would realize a reduction in accumulated funds above amounts required for operations, thus there is no impact to those operations.

ATTACHMENT: Summary of Recommended Budget Adjustments

SUBMITTED BY: Robert Samario, Interim Finance Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
Summary of Recommended Budget Adjustments
Fiscal Year 2010

	<u>Estimated Revenue</u>	<u>Appropriations</u>	<u>Addition to/ (Use of) Reserves</u>
GENERAL FUND			
Non-Departmental			
Reduce Sales Tax Estimate	\$ (1,073,842)	\$ -	\$ (1,073,842)
Reduce Transient Occupancy Tax Estimate	(675,030)	-	(675,030)
Reduce Property Tax Estimate	(433,655)	-	(433,655)
Reduce Utility Users Tax Estimate	(325,671)	-	(325,671)
Increase Revenue for Rebate from Facilities Maint. Fund	87,238	-	87,238
Increase Revenue for Rebate from Fleet Maint. Fund	35,425	-	35,425
Shift of Franchise Fee Surcharge from Utility Undergrounding Fund	359,000	-	359,000
Recognize Transfer from Self Insurance Fund Reserves	300,000	-	300,000
Recognize Transfer from Street Sweeping Fund Reserves	100,000	-	100,000
Use of Contingency Account	-	(512,601)	512,601
Sub-Total	<u>(1,626,535)</u>	<u>(512,601)</u>	<u>(1,113,934)</u>
City Administrator's Office			
Revenue from Water Fund for Inside Santa Barbara (CityTV)	4,125	-	4,125
Savings - Alloc. 50% of Employee Rel. Mgr. to Solid Waste Fund	-	(40,586)	40,586
Reduce Hourly Support for Special CityTV Programming	-	(7,000)	7,000
Special Projects Manager Funded by CalGRIP Grant	-	(27,737)	27,737
Sub-Total	<u>4,125</u>	<u>(75,323)</u>	<u>79,448</u>
Community Development Department			
Savings from Part-time Planner Assigned to Creeks (6 months)	-	(24,460)	24,460
Suspension of Board/Commission Stipends	-	(25,350)	25,350
Salary Savings for Administrative Specialist vacancy	-	(66,674)	66,674
Sub-Total	<u>-</u>	<u>(116,484)</u>	<u>116,484</u>
Finance Department			
Anticipated Salary Savings from Asst. Finance Director Vacancy	-	(105,064)	105,064
Miscellaneous Line-Item Reductions	-	(12,680)	12,680
Sub-Total	<u>-</u>	<u>(117,744)</u>	<u>117,744</u>
Library Department			
Anticipated Salary Savings from 3 Vacant Positions	-	(159,677)	159,677
Fifty-Cent Fee on Juvenile Materials Holds	7,318	-	7,318
Sub-Total	<u>7,318</u>	<u>(159,677)</u>	<u>166,995</u>
Parks and Recreation Department			
Anticipated Salary Savings from 4 Vacant/Absent Positions	-	(247,062)	247,062
Savings from One-Year Delay of Recreation Equipment Purchase	-	(26,700)	26,700
Line-Item Savings in Business Services/Administration	-	(8,500)	8,500
Reduce Hourly Staff for Capital Projects	-	(5,000)	5,000
Reduce Hourly Staff in Aquatics	-	(5,000)	5,000
Replace Junior Counselor Program	13,000	-	13,000
Close Front Desk for Facility and Program Registration Services	-	(60,000)	60,000
New Revenues/Expenditure Savings for Recreation Programs	22,920	(2,085)	25,005
Sub-Total	<u>35,920</u>	<u>(354,347)</u>	<u>390,267</u>

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Summary of Recommended Budget Adjustments
Fiscal Year 2010

	<u>Estimated Revenue</u>	<u>Appropriations</u>	<u>Addition to/ (Use of) Reserves</u>
Police Department			
Shift Costs to General Fund for COPs Grant Not Received	-	451,420	(451,420)
Anticipated Salary Savings Due to Vacancies	-	(500,000)	500,000
Salaries & Benefits Costs for Animal Control Supervisor	-	101,868	(101,868)
Sub-Total	<u>-</u>	<u>53,288</u>	<u>(53,288)</u>
Public Works Department			
Anticipated Salary Savings for Vacant Project Engineer II	-	(134,815)	134,815
Filling Vacant Survey Technician with Hourly Staff	-	(40,984)	40,984
Reduce Special Projects for Vector Control and Leaking Underground Fuel Tanks (LUFT)	-	(120,485)	120,485
Sub-Total	<u>-</u>	<u>(296,284)</u>	<u>296,284</u>
GENERAL FUND TOTALS	<u>\$ (1,579,172)</u>	<u>\$ (1,579,172)</u>	<u>\$ -</u>
UTILITY UNDERGROUNDING FUND			
Shift Franchise Fee Surcharge for Utility Undergrounding to GF	<u>\$ (359,000)</u>	<u>\$ (359,000)</u>	<u>\$ -</u>
POLICE SUPPLEMENTAL LAW ENFORCEMENT FUND			
Reduce Revenue for COPs Grant Not Received	\$ (451,420)	\$ -	(451,420)
Shift Costs to General Fund for COPs Grant Not Received	-	(451,420)	451,420
Police Supplemental Law Enforcement Fund Total	<u>\$ (451,420)</u>	<u>\$ (451,420)</u>	<u>\$ -</u>
STREET SWEEPING FUND			
Recognize Transfers of Street Sweeping Reserves to General Fund	<u>\$ -</u>	<u>\$ 100,000</u>	<u>(100,000)</u>
FACILITIES MAINTENANCE FUND			
Rebate to General Fund	\$ (87,238)	\$ -	(87,238)
Salary Savings from 2 Vacant Custodial Positions	-	(87,238)	87,238
Facilities Maintenance Fund Total	<u>\$ (87,238)</u>	<u>\$ (87,238)</u>	<u>\$ -</u>
FLEET MAINTENANCE FUND			
Rebate to General Fund	\$ (35,425)	\$ -	(35,425)
Salary Savings from Service Writer Absence	-	(35,425)	35,425
Fleet Maintenance Fund Total	<u>\$ (35,425)</u>	<u>\$ (35,425)</u>	<u>\$ -</u>
SELF INSURANCE FUND			
Recognize Transfers of W/C Reserves to General Fund	<u>\$ -</u>	<u>\$ 300,000</u>	<u>(300,000)</u>