FY 2011-2012
Preliminary Budget

FY 2011-2012 Preliminary Budget Preparation

- Strategic Planning Sessions – June 8th & August 31st
  - Staff presented strategies to address structural deficit
  - Staff reviewed the current Fund Balance Policy
  - Revenue generators and expenditure reduction options were presented to Council to help resolve the structural deficit
  - Staff identified approximately $2.8 million for the potential use of one-time projects

New Projects – Available Funds – Sources and Recommended Uses

ONE-TIME FUNDS AVAILABLE FOR SPECIAL PROJECTS:

$	1,916,995	Available Fund Balance above 17% policy
	900,000	Fleet Reduction
$	**2,816,995**	**TOTAL**

RECOMMENDATIONS FOR USE:

$	400,000	One-time Retirement Incentives
	2,416,995	Capital Infrastructure Projects

FY 2011-2012 Preliminary Budget Preparation

- Council approved the following items:
  - Staff was directed to move forward with the infrastructure projects and related funding presented. Staff will return to Council before final approval on all projects.
  - Reduction in salaries and benefits totaling $3.5 million
  - Funding for one-time retirement incentives totaling $400,000
  - Economic Development Plan

Preliminary General Fund Revenue and Expenditures – FY 2011/2012

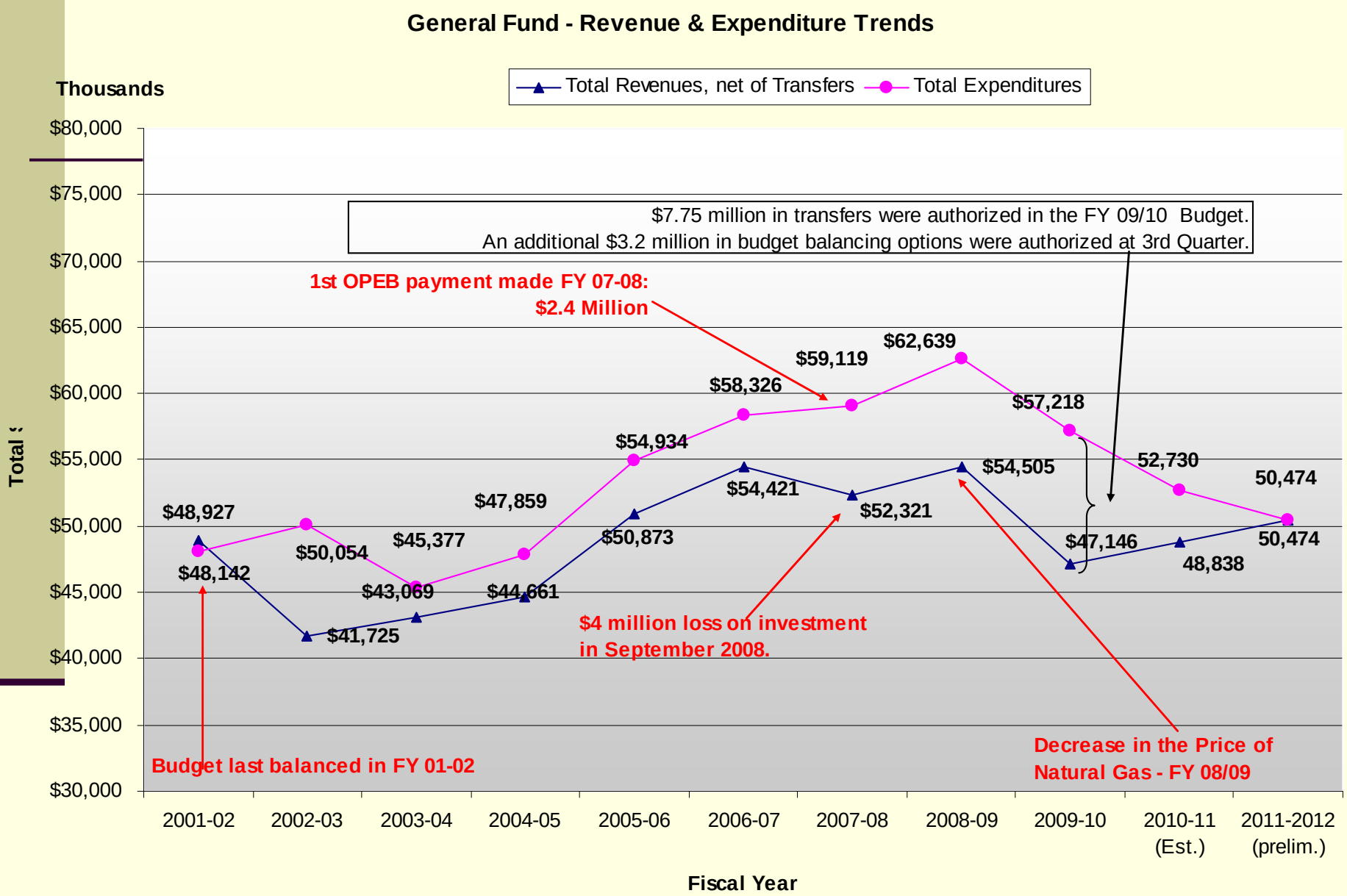
GENERAL FUND	Preliminary Budget 11/12
Revenues, net	$ 49,773,900
Transfers in	700,000
Total Revenues	$ 50,473,900
Expenditures, net	55,772,150
Transfers out	301,000
Total Expenditures	$ 56,073,150
Deficit	$ (5,599,250)

Budget Deficit Solutions

$ 5,599,250	FY 2011-2012 Preliminary Budget Deficit

STRUCTURAL ADJUSTMENTS:

$(1,000,000)	OPEB Trust Withdrawal
$(1,049,627)	Fire Department Staffed at 16, Run Down to 14
$ 3,549,623	***REDUCTION OF SALARIES AND BENEFITS***


General Fund - Revenue & Expenditure Trends
Thousands
Total Revenues, net of Transfers
Total Expenditures
$80,000
$75,000
$70,000
$65,000
$60,000
$55,000
$50,000
$45,000
$40,000
$35,000
$30,000
$7.75 million in transfers were authorized in the FY 09/10 Budget.
An additional $3.2 million in budget balancing options were authorized at 3rd Quarter.
1st OPEB payment made FY 07-08:
$2.4 Million
$48,927
$48,142
$50,054
$41,725
$45,377
$43,069
$47,859
$44,661
$54,934
$50,873
$58,326
$54,421
$59,119
$52,321
$62,639
$54,505
$57,218
$47,146
52,730
48,838
50,474
50,474
$4 million loss on investment
in September 2008.
Budget last balanced in FY 01-02
Decrease in the Price of
Natural Gas - FY 08/09
2001-02
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
(Est.)
2011-2012
(prelim.)
Fiscal Year

General Fund Revenues – FY 10-11 Year-end Estimates v. FY 11-12 Prelim. Budget

GENERAL FUND	Projected Year-End 2010-2011	Preliminary FY 2011-2012	Increase (Decrease) to Projected Year-end
Revenues, net	$ 48,838,200	$ 49,773,900	$ 935,700
Transfers in	3,286,000	700,000	(2,586,000)
Total Revenues	$ 52,124,200	$ 50,473,900	$ (1,650,300)

Assumptions for 11/12 Preliminary Budget Revenues:

- Increase of $935,700 from:
  - Sales Tax In Lieu
  - Property Tax
  - Business License Tax
  - Transient Occupancy Tax (TOT) resulting from increase in occupancy
  - Cogenerated Electric Tax
  - Development Fee

9

Assumptions for 11/12 Preliminary Budget Revenues (cont'd):

- No growth expected for the following revenue sources, which make up 23% of revenues:
  - Interest on Investments
  - Sales & Use Tax
  - Franchise Tax

10

General Fund Expenditures – FY 10-11 Year-end Estimates v. FY 11-12 Prelim. Budget

GENERAL FUND	Projected Year-End 2010-2011	Preliminary FY 2011-2012	(Decrease) to Projected Year-end
Expenditures, net of adjust.	52,647,900	50,172,900	(2,475,000)
Transfers out	301,000	301,000	-
Total Expenditures	**$ 52,948,900**	**$ 50,473,900**	**(2,475,000)**

Decrease in Expenditures - FY 10-11 Year-end Estimates v. FY 11-12 Prelim. Budget

GENERAL FUND	Decrease to Projected Year-end
FY 2010-2011 Yearend Estimate:	52,948,900
Decrease due to:	
Concessions Expiring 9/30/11	$(3,124,300)
Salary & Benefit Reductions FY 2011-12	3,549,600
Additional Reduction of Salaries & Benefits	425,300
Further Reductions to Expenditures:	
OPEB Trust Drawdown	1,000,000
Fire Dept Staffing Reduction	1,049,700
Total Decrease:	$2,475,000
FY 2011-2012 Preliminary Budget:	**50,473,900**

Assumptions for 11/12 Preliminary Budget Expenditures:

- Vacant positions eliminated – total for 50 positions – approx. $5 million in total compensation
- Personnel Costs:
  - CalPERS Pension Rate Increases - $1.1 million
    - $800,000 increase - Public Safety
    - $300,000 increase - Miscellaneous Employees
  - Health Benefit Costs – Average 7% increase - $400,000
  - Salary Increases – 2% for the Supervisory/Professional Group - $80,300

13

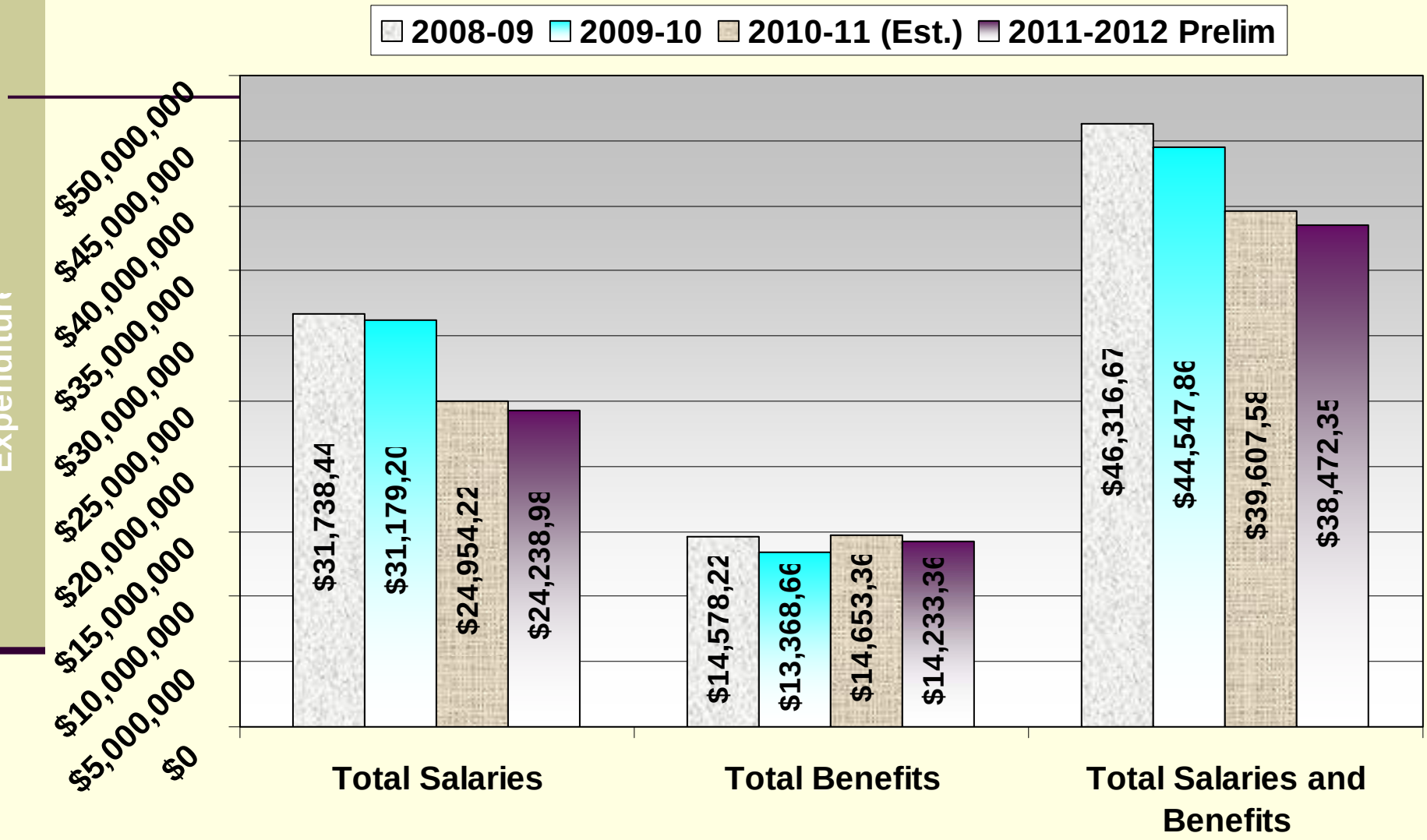
Employee Concessions Expiring at Year-End FY 2011:

Concessions by Labor Groups:	**VALUE ($)**
City Employees Association	$ 365,749
Firefighters Association	747,208
Police Management Association	199,949
Police Officers' Association	843,705
Police Support Services Employees Association	68,117
Supervisory and Professional Association	219,016
Management/Confidential (unrepresented)	708,606
	$ 3,152,350

* Total Salary and Benefit Savings was $5.2 million for FY 2010-2011, which included $3.1 million in concessions identified above, $1.5 million from retirements and $600,000 in layoffs.

14

Salary and Benefit History



15

Assumptions for 11/12 Preliminary Budget Expenditures (cont'd):

- Equipment Replacement Costs – Funding at 100%.
- Annual OPEB Payment – Funded at 100% ($2,000,000)
- ESUSD Funding - $250,000 cash payment & continue funding crossing guard contract ($80,000) and in-kind contributions ($1,051,700) estimated for FY 11/12)
- No growth factored for nonpersonnel costs, except for prescheduled contractual increases

16

General Fund Nonpersonnel Expenditures

		Nonpersonnel Expenditure
Adopted FY 2010-2011		**14,017,600**
Projected Yearend FY 2010-2011		**13,341,305**
Preliminary FY 2011-2012		**13,051,150**
Savings to Projected Yearend FY 2010-2011		**290,150**
Savings to Adopted FY 2010-2011	**$**	**966,450**

Preliminary General Fund Revenue and Expenditures – FY 2011/2012

GENERAL FUND REVENUES:	$	50,473,900
GENERAL FUND EXPENDITURES:		56,073,100
ESTIMATED DEFICIT:		**5,599,200**
LESS:		
SALARY CONCESSIONS:		(3,549,600)
FIRE DEPARTMENT RUN DOWN:		(1,049,600)
OPEB TRUST DRAWDOWN:		(1,000,000)
PERMANENT EXPENDITURE REDUCTIONS:		**(5,599,200)**
TOTAL GENERAL FUND EXPENDITURES	$	50,473,900

18

QUESTIONS?