

City of Salinas

FY 2010-11

Mid-year Budget Adjustments

January 25, 2011

FY 2010-11 Mid-year Budget

FY 2009-10 Carryover/One-time Funds

- **General/Measure V Fund - \$1,465,000**
 - **General Fund - \$525,000**
 - **Measure V - \$940,000**
- **Due primarily to freezing vacant positions**
- **These vacant positions eliminated in FY 2010-11**

City Council's Fiscal Policies

Year-end carryover funds shall be allocated to:

- 1) Insurance Reserves;**
- 2) Operating Budget Reserves; and**
- 3) Capital Project Reserves**

One-time carryover funds should only be used for reserves or other one-time expenditures.

Avery and Associates Organizational Assessment Report

- One of the major recommendations is:
 - Increase Reserves, and
 - Invest in four critical areas:
 - 1) Economic Development,
 - 2) Training,
 - 3) Information Systems, and
 - 4) Neighborhood Services/Volunteerism

General Fund/Measure V Carryover/One-time Funds

	<u>General Fund</u>	<u>Measure V</u>	<u>Total</u>
Available One-time Funds	\$ 525,000	\$ 940,000	\$ 1,465,000
Liability Claim	<u>(500,000)</u>	<u>(200,000)</u>	<u>(700,000)</u>
Available after Liability Claim	25,000	740,000	765,000
Avery/Staff Recommendations			
To Operating Reserve (\$500,000)		(400,000)	(400,000)
Economic Development (\$250,000)		(250,000)	(250,000)
Volunteer Services Coordinator (\$80,000)		(33,000)	(33,000)
Code Enforcement (Weekends & Evenings)		(27,000)	(27,000)
Information Systems Planning (\$150,000)		(25,000)	(25,000)
Security Lighting Lot 12	(25,000)		(25,000)
Training (\$20,000)		(5,000)	(5,000)
Total Avery/Staff Recommendations	<u>(25,000)</u>	<u>(740,000)</u>	<u>(765,000)</u>
Total Ending Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Liability Self-insurance

FY 2010-11

Liability Claims Expenses

Contract Administration	\$ 56,500
Normal Claims/Legal Expenses	650,000
Excess Insurance	320,000
Police Claim	<u>700,000</u>
Total Budgeted Expenses	<u><u>\$1,726,500</u></u>

Allocation of Liability Claims Expenses

General Fund	\$1,526,500
Measure V	<u>200,000</u>
Total Budgeted Expenses	<u><u>\$1,726,500</u></u>

Allocation of self-insurance costs prorated based budgeted operating expenditures. Measure V is 11.5% of the total General Fund/Measure V combined operating budgets.

General Fund/Measure V Operating Reserve

	<u>General Fund</u>	<u>Measure V</u>	<u>Total</u>
Operating Reserve	\$ -	\$ 400,000	\$ 400,000
Reserve Policy			
5% of FY 2010-11 Operating Budget	(3,468,100)	(441,300)	(3,909,400)
Reserve Shortfall	<u><u>\$(3,468,100)</u></u>	<u><u>\$ (41,300)</u></u>	<u><u>\$(3,509,400)</u></u>

FY 2010-11 Mid-year Budget

Revenue Adjustments

- General/Measure V Fund

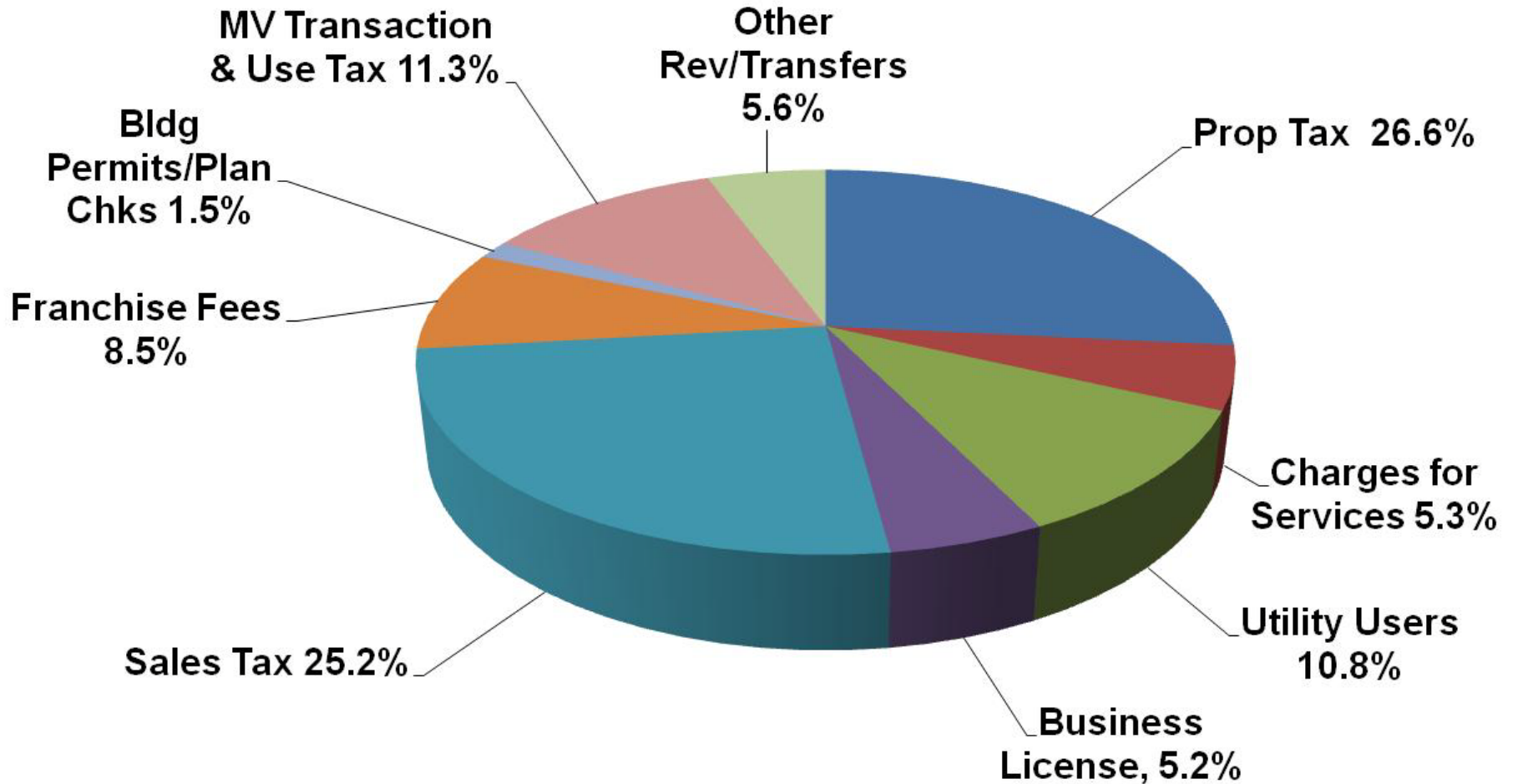
• Property Tax - Increase \$600,000 to	\$20.8 million
• Sales Tax - Increase \$200,000 to	19.7 million
• Measure V - Increase \$200,000 to	<u>8.8 million</u>
Total (64% of total revenues)	<u><u>\$ 49.3 million</u></u>

- Salinas Redevelopment Agency

• Property Tax Increment	
Decrease \$500,000 to	\$ 5.1 million

FY 2010-11 General Fund & Measure V

Revenue \$78.2 million



FY 2010-11 Mid-year Budget Expenditure Adjustments General Fund/Measure V

CalPERS Health Insurance

Increase \$225,000 to \$7.6 million

Actual increase 11.5%

Budget assumption 5.0%

Fire Department Over-time

Increase \$500,000 to \$1.8 million

9 Firefighter currently not available for duty

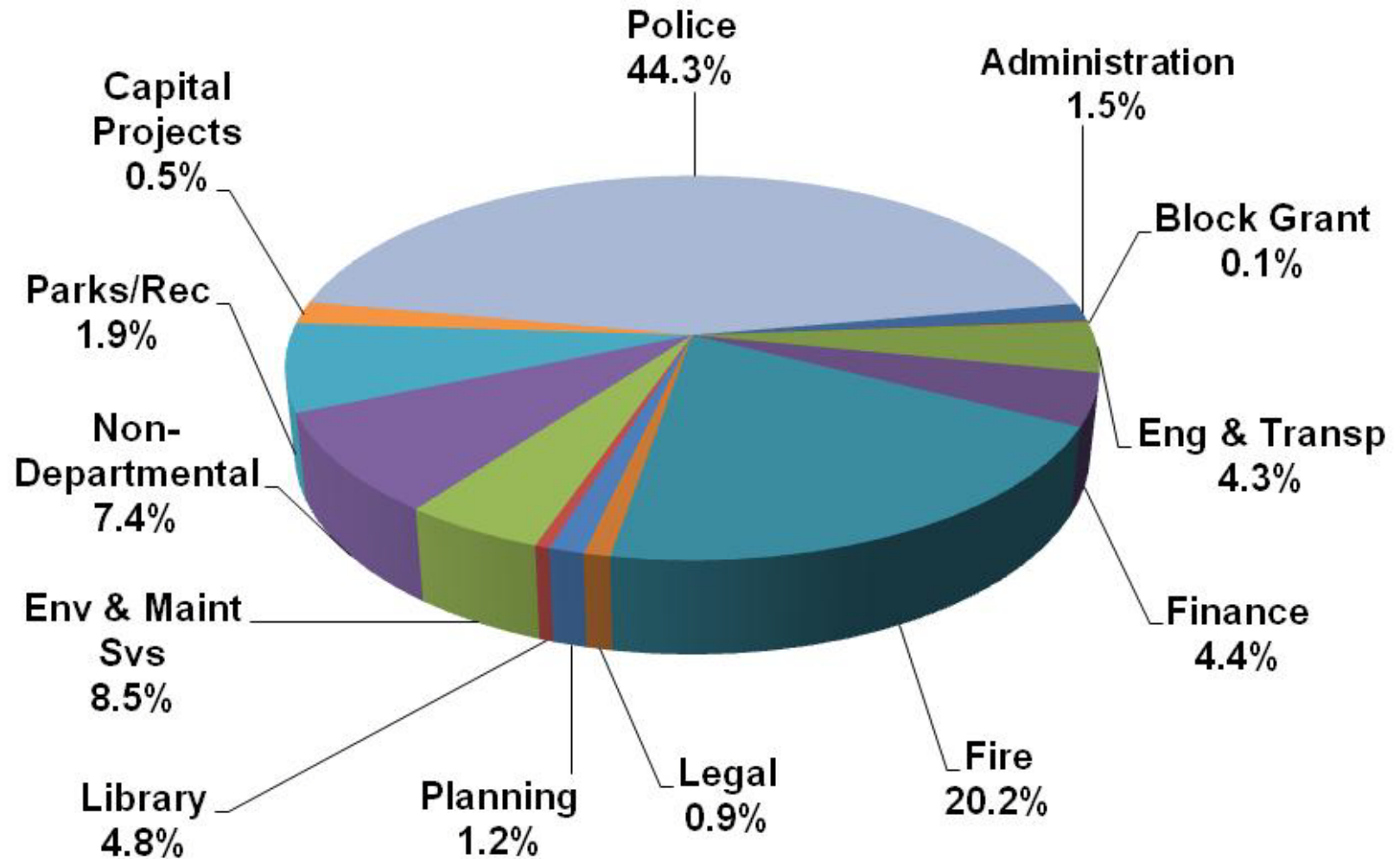
**Call back over-time required to meet minimum
staffing**

Fire Safer Grant

\$2.9 million to hire 12 Firefighters (2 years)

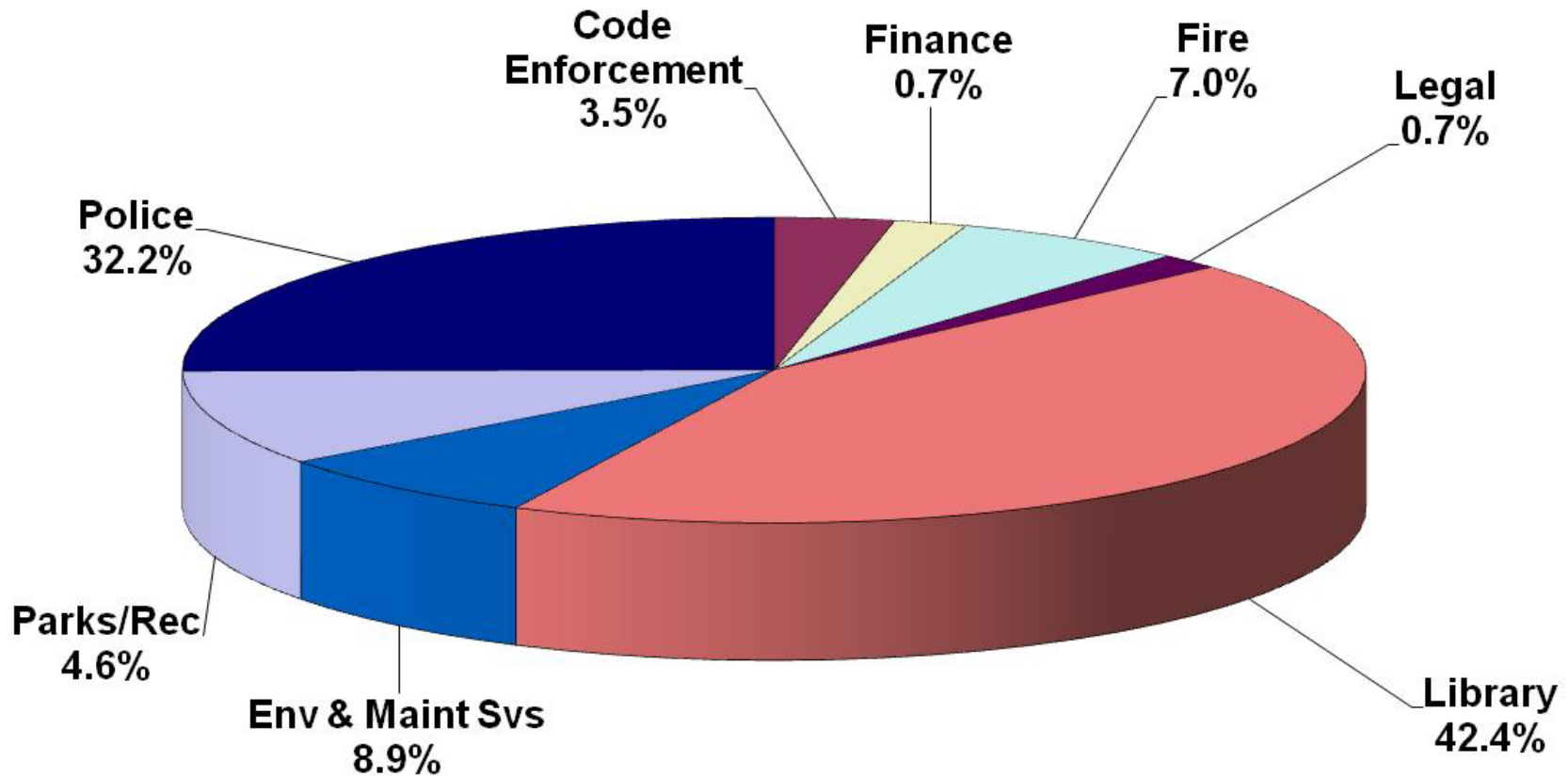
FY 2010-11 General Fund & Measure V Budget

By Department \$78.2 million



FY 2010-11 Measure V Budget by Department

\$8,800,700



Next Year's FY 2011-12 Budget

Projected Budget Shortfall - \$7 million

- **Concessions/deferred salary increases - \$2.7 million**
- **CalPERS retirement costs - \$1.8 million**
- **Worker's Compensation - \$1.5 million**
- **Health Insurance - \$750,000**
- **NGEN Radio System - \$500,000**

CalPERS Retirement Program

- **FY 2011-12 CalPERS retirement costs - \$15.5 million**
 - **City Paid / Public Safety - \$9.6 million**
 - **City Paid / Misc Employees - \$2.3 million** } **\$11.9 million**
 - **Employee Retirement Share - \$3.6 million**
- **FY 2011-12 CalPERS retirement rates**
 - **Fire: 39.9% of salary**
 - **Police: 31.1% of salary**
 - **Misc Employees: 12.5% of salary**
- **FY 2012-13 potential CalPERS increase - \$2 million**
 - **CalPERS expected to reduce its investment return policy from 7.75% to 7.50%**
- **Critical that City negotiate a "two-tiered", less costly retirement program for future public safety employees.**

Avery & Associates Organizational Assessment Report

To address the projected FY 2011-12 shortfall, the Avery Report recommends;

"In the short-term, the City will need to negotiate salary and benefit reductions as one of the few remaining areas for cost reduction."

City Council is asked to direct staff to:

*** Work with labor organizations to attempt to achieve additional fairly distributed salary and benefit reductions by all employee groups.**

FY 2010-11 Mid-year Budget

Finance Committee

Recommended adjustments approved - January 11, 2011

Measure V Committee

Recommended adjustments approved - January 20, 2011

Requested Community budget meetings in each Council district prior to budget adoption in June 2011.

Conclusion

- **FY 2011-12 projected shortfall \$7 million**
 - Employee cost increases
 - Assumes City revenue stabilizes
- **Eliminate 20% of City's workforce (137 positions) over the past two years**
- **Significant reductions in employee salary and benefit cost required to balance next year's budget**
- **FY 2012-13 CalPERS retirement cost increase - \$2 million**
 - CalPERS investment return assumption change

FY 2010-11 Mid-year Budget

Recommendation

It is recommended that the City Council/Agency Board:

1) Approve the Resolution adopting FY 2010-11 Mid-year Budget adjustments for the City of Salinas and Salinas Redevelopment Agency as outlined in attachments 1 and 2, and

2) Direct staff to begin appropriate concession negotiations with employee bargaining groups.