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

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Measure V</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available One-time Funds</td>
<td>$525,000</td>
<td>$940,000</td>
<td>$1,465,000</td>
</tr>
<tr>
<td>Liability Claim</td>
<td>(500,000)</td>
<td>(200,000)</td>
<td>(700,000)</td>
</tr>
<tr>
<td>Available after Liability Claim</td>
<td>25,000</td>
<td>740,000</td>
<td>765,000</td>
</tr>
</tbody>
</table>

### 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**

(25,000) (740,000) (765,000)

**Total Ending Balance**

$ - $ - $ -
## Liability Self-insurance

**FY 2010-11**

### Liability Claims Expenses

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Contract Administration</td>
<td>$56,500</td>
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<tr>
<td>Normal Claims/Legal Expenses</td>
<td>650,000</td>
</tr>
<tr>
<td>Excess Insurance</td>
<td>320,000</td>
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<tr>
<td>Police Claim</td>
<td>700,000</td>
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</table>

**Total Budgeted Expenses** $1,726,500

### Allocation of Liability Claims Expenses

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Amount</th>
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<tbody>
<tr>
<td>General Fund</td>
<td>$1,526,500</td>
</tr>
<tr>
<td>Measure V</td>
<td>200,000</td>
</tr>
</tbody>
</table>

**Total Budgeted Expenses** $1,726,500

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

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Measure V</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Operating Reserve</td>
<td></td>
<td>$400,000</td>
<td>$400,000</td>
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<tr>
<td>Reserve Policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5% of FY 2010-11 Operating Budget</td>
<td>(3,468,100)</td>
<td>(441,300)</td>
<td>(3,909,400)</td>
</tr>
<tr>
<td>Reserve Shortfall</td>
<td>$(3,468,100)</td>
<td>$(41,300)</td>
<td>$(3,509,400)</td>
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</tbody>
</table>
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 8.8 million

  Total (64% of total revenues) $ 49.3 million

- Salinas Redevelopment Agency

  • Property Tax Increment

  Decrease $500,000 to $ 5.1 million
FY 2010-11 General Fund & Measure V

Revenue $78.2 million

- Sales Tax 25.2%
- MV Transaction & Use Tax 11.3%
- Bldg Permits/Plan Chks 1.5%
- Franchise Fees 8.5%
- Prop Tax 26.6%
- Charges for Services 5.3%
- Utility Users 10.8%
- Business License, 5.2%
- Other Rev/Transfers 5.6%
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

- Police 44.3%
- Administration 1.5%
- Eng & Transp 4.3%
- Finance 4.4%
- Fire 20.2%
- Library 4.8%
- Planning 1.2%
- Legal 0.9%
- Env & Maint Svcs 8.5%
- Non-Departmental 7.4%
- Parks/Rec 1.9%
- Capital Projects 0.5%
FY 2010-11 Measure V Budget by Department

$8,800,700

- Police: 32.2%
- Parks/Rec: 4.6%
- Env & Maint Svs: 8.9%
- Code Enforcement: 3.5%
- Finance: 0.7%
- Fire: 7.0%
- Legal: 0.7%
- Library: 42.4%
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
  - Employee Retirement Share - $3.6 million
  - $11.9 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.
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.
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
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.