Agenda Item No. _____
File Code No. 230.05

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 29, 2010

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Adoption Of The Operating And Capital Budget For Fiscal Year 2011

RECOMMENDATION: That Council adopt, by reading of title only:

A. A Resolution of the Council of the City of Santa Barbara Adopting the Budget for the Fiscal Year 2011 by Appropriating Moneys for the Use and Support of Said City from the Funds and to the Purposes Herein Specified;

B. A Resolution of the Council of the City of Santa Barbara Establishing the City's Appropriation Limitation for Fiscal Year 2011;

C. A Resolution of the Council of the City of Santa Barbara Establishing Certain City Fees, and Rescinding Resolution Nos. 09-043, 09-064, 09-086, 09-089 and 10-009;

D. A Resolution of the Council of the City of Santa Barbara Authorizing Classified and Unclassified Positions in the City's Service Effective July 1, 2010, and Providing a Schedule of Classifications and Salaries for the Same in Accordance with the Operating Budget for the 2011 Fiscal Year;

E. A Resolution of the Council of the City of Santa Barbara Authorizing the Continuation of Capital and Special Project Appropriations to Fiscal Year 2011;

F. A Resolution of the Council of the City of Santa Barbara for Paying and Reporting the Value of Employer-Paid Member Contributions (EPMC) for Regular Miscellaneous Employees Effective June 19, 2010; and

G. A Resolution of the Council of the City of Santa Barbara for Employer-Paid Member Contributions for Hourly Employees Effective June 19, 2010.

EXECUTIVE SUMMARY

Staff is recommending the adoption of seven resolutions that, among other things, will officially adopt the Fiscal Year 2011 budget, which becomes effective July 1, 2010. This action is the culmination of nine public hearings during which Council reviewed in detail the City Administrator's recommended budget filed in April 2010.

Particularly in the General Fund, the budget reflects the continued impacts of a major downturn in the national economy that has dramatically affected local revenues. The General Fund, which relies heavily on tax revenues to fund operations such as public

safety, parks, libraries, and recreation programs, will undergo a second year of significant cuts to services and staff levels.

The strategy used to balance the General Fund budget not only includes cuts to programs and services; it also includes new funding sources and cuts to outside organizations. As one of the key components, the balancing strategy also assumed the City would reach agreements with all labor groups on wage and benefit concessions to reduce the cuts to services and staffing. As of the time this report was prepared, concessions have not been secured with all labor groups. Consequently, the final budget proposed for adoption includes expected savings totaling approximately $4.1 million based on labor concessions that are 1) actually secured, 2) currently pending, and 3) still in the discussion phase.

DISCUSSION:

The Fiscal Year 2011 Recommended Operating and Capital Budget was filed with the City Council on April 20, 2010. Since that time, the City Council held nine budget review sessions and public hearings. In addition, the Finance Committee held four meetings on the Recommended Budget, including the capital program budget, and revenues and fees.

We are recommending that the City Council adopt seven resolutions in order to adopt the budget for Fiscal Year 2011. In addition to adopting the annual operating and capital budget for Fiscal Year 2011, the resolutions will accomplish the following:

1. Adopt the City's appropriation limit for Fiscal Year 2011 pursuant to Article XIIIB of the California Constitution;
2. Adopt the master fee resolution for Fiscal Year 2011 establishing citywide fees in the various departments and funds.
3. Approve the authorized positions for Fiscal Year 2011, including the position changes presented in the budget and the corresponding salary ranges.
4. Authorize the City Administrator to carryover Fiscal Year 2010 appropriations into the Fiscal Year 2011 for capital and special projects that will not be completed before the end of the current fiscal year; and,
5. Establish the portion of the Employee PERS contribution rate to be paid by the City ("Employer-Paid Member Contribution") for the City's authorized and hourly Miscellaneous (non-safety) PERS employees. This cost-sharing agreement was established by labor agreement and is adjusted annually based on changes to the City's employer contribution rate.

Copies of all budget resolutions are available for public review in the City Clerk's Office and Finance Department and online as part of the Council Agenda Packet.

FINAL BUDGET ADJUSTMENTS

At the final budget work session held on June 14, 2010, Council restored funding for certain programs and services. In addition, Council approved adjustments recommended by staff, as well as certain adjustments recommended by the Finance Committee. A summary of all adjustments to the recommended budget (Attachment) are described in detail below. Adjustments made to reflect labor cost savings are *not* included in the attached schedule or discussion below, but have been incorporated into the final adopting budget resolutions.

Staff-Recommended Changes Approved by Council

New information that came to light since the filing the Fiscal Year 2011 Recommended Budget in April 2010 necessitated changes to the estimated revenues and appropriations contained within that document. This occurs every year. As such, staff proposed changes to the recommended budget to reflect this new information.

Finance Committee Recommendations Approved By Council

In connection with its review of proposed changes to fees and other elements of the recommended budget, the Finance Committee made the following recommendations to the City Council.

<u>Water Fund</u>

Public Works staff proposed a 3.5% increase to water service charges beginning July 1, 2010. The proposed rate increase is part of a long-term rate strategy designed to fund the Water Fund's long-term capital program. The Water Commission strongly supported the 3.5% increase to the water rates.

The Finance Committee recommended (2-0; Francisco absent) that water service charges be increased by 2.5% rather than 3.5% in Fiscal Year 2011. On June 14, 2010, Council directed staff to include a 3% increase to rates in the Fiscal Year 2011 budget, with the exception for agricultural water rates, which are to remain the same as they were in Fiscal Year 2010.

Staff has made the necessary changes to the Water Fund budget to reflect the loss of revenues from the reduction in the rate increase and will use reserves to offset the reduced revenues.

<u>Wastewater Fund</u>

The Finance Committee recommended that Council consider suspending the Sewer Lateral Incentive Program (SLIP) and using those funds to expand the Annual Sewer

Main Replacement Program. The recommended Wastewater Fund capital program includes $500,000 for both sewer main rehabilitation and replacement. The Finance Committee recommendation stemmed from the under-funded Main Rehab/Replacement Program of approximately $2.6 million in Fiscal Year 2011.

The Fiscal Year 2011 Recommended Budget includes approximately $700,000 for the SLIP, although the Fiscal Year costs will likely be closer to $1 million. The City Council directed staff to suspend the $700,000 Sewer Lateral Incentive Program, limiting the program to those private laterals identified as needing replacement or repair through the City's enforcement program. Staff will return to Council within the next 90 days with a broader discussion of the SLIP.

In addition, Council directed staff to add $2 million to the Wastewater Fund Capital budget, funded from the fund's Capital Reserves, to be used for Sewer Main Replacement. The $2 million for main replacements is in addition to the $4.3 million proposed capital budget, of which $1.8 million will be funded from reserves. This will bring the total use of reserves for Fiscal Year 2011 to $3.8 million. Council reserve policies require that when policy reserves are used, there is a plan to restore them. Consequently, staff will revisit the ten year capital and rate plans and return to Council next year with a plan to restore policy reserves.

Repayment of Franchise Fees to General Fund by Solid Waste Fund

From fiscal year 2003 through 2009, the Solid Waste Fund collected approximately $2.6 million in franchise fees from the City's two refuse haulers. The monies have been used to pay for Environmental Services Division staff and programs designed to maximize diversion of waste from Tajiguas Landfill.

In connection with the balancing of the General Fund in Fiscal Year 2010, staff recommended and City Council approved shifting the franchise fees, estimated at $440,000, to the General Fund *prospectively* beginning in 2010.

The Finance Committee requested staff to evaluate the ability of the Solid Waste Enterprise Fund to repay the $2.6 million in franchise fees collected prior to Fiscal Year 2010.

Based on a review of a long-term forecast of revenues, expenses and reserve balances, the Finance Committee recommended that Council approve a repayment of $50,000 each in Fiscal Years 2011 and 2012. In 2012, the Committee recommended that staff update the multi-year forecast and re-evaluate to what extent the Solid Waste Fund can continue and/or increase the level of repayment amount in future years.

Funding Restored by Council (and Recommended Implementation Plan)

At the June 14th, 2010 budget work session, Council directed staff to add back items that were planned to be cut. The items are listed below.

Sobering Station	$ 211,113
Ortega Park Recreation Swim	2,300
Four Police Officer Positions	456,880
New Beginnings	4,350
Santa Barbara Channels	57,500
Fire Training Captain	163,784
Planning Commission Stipends	15,000
Grounds Maint. Worker (Restroom Maint.)	63,579
Library Materials	50,000
Appropriated Reserves	100,000
TOTAL	$ 1,124,506

Because the items listed above are dependent on wage and benefit concessions that have yet to be fully realized as of the date of writing of this report, staff has developed the funding plan for each item as discussed below.

Sobering Station

Staff recommends funding the Sobering Station on a month-to-month basis rather than committing to a full year's of funding. The funding equates to $17,593 per month.

Ortega Pool Recreation Summer Swim

The closure of Ortega Pool for free summer recreational swimming was implemented on July 1, 2009. Staff recommends funding the full amount needed, primarily for hourly staff, to open the pool for this summer given the relatively small amount of the cost.

Restoring Four Police Officer Positions

The restoration of 4 vacant police officer positions will increase the number of authorized sworn positions from 133 to 137.

Staff has already been directed to over-hire, a process by which staff intentionally sends more officers to the police academy than the number of vacant positions to cover for unanticipated retirements, terminations, or lateral movements to other police departments that occur each year. In fact, the proposed budget includes

$200,000 in appropriated reserves specifically designated for the additional costs that will likely be incurred by the practice of over-hiring.

Historically, staff only sent recruits to the academy based on the number of vacancies at the time; and since the police academies are only open two times a year, the number of officers leaving the department (e.g., retirement) left several positions vacant while staff responded to fill the positions through a lengthy and arduous recruitment process.

The next police academy to which staff can send new recruits will likely be in November (Ventura), although the Ventura academy was dark this past year. A second academy will be available in October 2010 (San Bernardino) should Ventura cancel or change their plans.

Between July 1 and September 30, staff will continue its recruitment efforts and practice of over-hiring to ensure the department stays at or above 133 sworn positions. However, staff anticipates that all remaining labor discussions and negotiations will be completed by September 2010 and, as such, will be prepared to send 4 additional recruits to either the Ventura or San Bernardino academy. If labor discussions are not completed by then, staff will evaluate its options and will take appropriate action based on the progress made in the labor discussions and the number of vacancies in sworn positions at that time.

New Beginnings

Staff recommends fully funding the cuts to New Beginnings totaling $4,350 due to the relatively small dollar amount.

Santa Barbara Channels

The South Coast Community Media Access Center ("Santa Barbara Channels") is reviewing a one-year agreement, whereby the City will provide $288,800 in funding for Fiscal Year 2011. This includes a reduction of $58,142, roughly half of what was recommended by staff.

The proposed contract includes a provision that allows the City Council, with 30 days notice, to further reduce the funding by $57,500 (the amount of funding restored by Council) if the City is unable to achieve the level of wage and benefit concessions needed to balance the General Fund budget.

Fire Training Captain

Staff recommends not filling the Fire Captain position until the City completes its discussions with all labor groups.

Planning Commission Stipends

Staff recommends continuing payment of stipends given the relatively small dollar amount involved.

.

Grounds Maintenance Worker II (Restroom Cleaning)

Staff recommends not filling the vacant Grounds Maintenance Worker II position until the City completes its discussions with all labor groups.

Library Materials

Since the acquisition of circulation materials can be acquired anytime throughout the year, staff recommends holding back on ramping up acquisitions until staff has a better sense of the level of concessions that will be realized.

Other Adjustments to the Budget (Identified by Staff)

Since the June 14th work session, additional adjustments are needed to the amounts presented thus far to the City Council. In most cases, the adjustments simply represent refinements to estimates.

General Fund

SRO Funding

The City had been assured that the School District would be providing $125,000 in Fiscal Year 2011 for a School Resource Officer (SRO). The City has recently been notified that the funding will not be provided. Consequently, the budget now reflects a corresponding reduction in revenues.

Refinement to Estimates

The amounts presented to City Council at the June 14th work session relating to the value of concessions and costs to restore filled positions were based on older estimates that have continually changed and been subject to further refinement. As a result, the net affect of these items was a reduction of costs totaling $160,235.

Appropriated Reserves

As a result of final adjustments made to refine budgeted revenues and expenditures, the General Fund is left with a net deficit of $16,956. In order to present a balanced fund, we have reduced the $100,000 in additional appropriated reserves allocated by Council by a corresponding amount. This will leave a total of $983,044 in appropriated

reserves, of which $200,000 will be designated for over hiring of police officers, and the balance of $783,044 will be available as a budget contingency.

Golf Fund

The Golf Fund presented revised its revenues and expenses based comprehensive pricing and marketing plan that will be initiated to increase the number of rounds at the Golf Course. Fees effective July 1, 2010 will essentially be unchanged. Consequently, revenues estimates have been lowered by $38,797. In addition, costs have been added for an advertising campaign ($60,450) and other cost items, including appropriated reserves, have been lowered a total of $137,440 to offset the revenue losses and increased costs for advertising.

OTHER MATTERS

Waterfront staff recently sent a memo to City Council advising of the Harbor Commission's desire to lower the number of gross receipts audits performed by contract of tenants on the Waterfront. The Harbor Commission recommended reducing the number of audits from approximately 8 per year to 3 per year to save money.

The Waterfront Department's recommended budget for Fiscal Year 2011 reflects staff's recommendation that eight audits be conducted per year, which is tied to the department's goal of auditing 25% of percentage rent tenants annually. This enables an audit of all significant percentage rent paying tenants on a four-year cycle. Staff believes the potential savings of $19,500 on the audit program based on the Harbor Commission's recommendation is insignificant (0.18%) in terms of the Waterfront Fund's overall budget. In addition, staff believes the potential financial risk of not auditing significant percentage rent tenants on a four-year cycle far outweighs the savings.

ATTACHMENTS: Summary of Proposed Adjustments to the Fiscal Year 2011 Recommended Budget

SUBMITTED BY: Robert Samario, Interim Finance Director

APPROVED BY: City Administrator's Office

Attachment

CITY OF SANTA BARBARA
Recap of Adjustments to the Fiscal Year 2011 Budget

GENERAL FUND

	Estimated Revenue	Appropriations	Surplus Deficit
RECOMMENDED BUDGET FILED 4/20/2010	$ 99,758,561	$ 102,339,375	$ (2,580,814)
ADJUSTMENTS APPROVED BY COUNCIL			
Restore SEIU Layoffs Per Concession Agreement			
Actual Cost of Restoring Positions	-	211,462	(211,462)
GF Cost of Restoring Positions in ICS (Net of Furlough)	-	97,000	(97,000)
Sub-Total	-	308,462	(308,462)
Staff Recommended Adjustments			
PILOT from Housing Authority	57,000	-	57,000
Fire Adjustments	-	(28,375)	28,375
Parks & Recreation Adjustments	(21,000)	(14,000)	(7,000)
School Crossing Guards	52,650	105,300	(52,650)
CalGrip Grant Correction	(27,271)	-	(27,271)
Sub-Total	61,379	62,925	(1,546)
Finance Committee Recommendations			
Repayment of Franchise Fees from SW Fund	50,000	-	50,000
City Council Priorities			
Sobering Station	-	211,113	(211,113)
Restore Funding Cut for New Beginnings	-	4,350	(4,350)
Ortega Park Rec Swim	-	2,300	(2,300)
Adding Back 4 Police Officers	-	456,680	(456,680)
Restore Funding for Santa Barbara Channels	-	57,500	(57,500)
Add Back Fire Training Officer Position	-	163,784	(163,784)
Restore Planning Commission Stipends	-	15,000	(15,000)
Restore GMWII (Restroom Maintenance)	-	63,579	(63,579)
Increase Funding for Library Materials	-	50,000	(50,000)
Increase Appropriated Reserves	-	100,000	(100,000)
Sub-Total	-	1,124,306	(1,124,306)
Budget Savings From Concessions (Corrected/Refined)			
Vacation Cashout Reached	233,686	-	233,686
Vacation Cashout Pending	69,327	-	69,327
Adjust Supervisors Concession (Vac Cashout Returned)	(51,571)	-	(51,571)
Furlough Concession Reached	-	(1,282,276)	1,282,276
Furlough Concession Pending	-	(291,861)	291,861
Salary Reduction Concession Reached	-	(93,178)	93,178
Salary Reduction Concession Pending	-	(29,445)	29,445
Batt Chiefs - Likely Concessions	58,000	-	58,000
Concessions Needed	2,006,735		2,006,735
Sub-Total	2,316,177	(1,696,760)	4,012,937
OTHER ADJUSTMENTS IDENTIFIED BY STAFF			-
Loss of Funding from School District for SRO	(125,000)	-	(125,000)
Correct for Refinement of Estimates		(160,235)	160,235
Adjust Appropriated Reserves to Balance		(16,956)	16,956
Sub-Total	(125,000)	(177,191)	52,191
FINAL BUDGET FOR ADOPTION	$ 102,061,117	$ 102,061,117	$ -

CITY OF SANTA BARBARA

Attachment

Recap of Adjustments to the Fiscal Year 2011 Budget

SPECIAL AND ENTERPRISE FUNDS

	Estimated Revenue	Appropriations	Surplus (Deficit)
ADJUSTMENTS APPROVED BY COUNCIL			
Staff Recommended Adjstments			
City Hall Allocation Fund			
Increase Appropriation to Upgrade Phone System	**$ -**	**$ 100,000**	**$ (100,000)**
County Library Fund			
Increase Donation Revenues	$ 18,999	$ -	$ 18,999
Keep Montecito Library Open on Mondays	-	18,999	(18,999)
County Library Fund Total	**$ 18,999**	**$ 18,999**	**$ -**
Measure A Fund			
Reduced transportation sales tax revenue	$ (215,195)	$ -	$ (215,195)
Reduced expenditures due to reduced revenue	-	(215,195)	215,195
Measure A Fund Total	**$ (215,195)**	**$ (215,195)**	**$ -**
Self Insurance Fund			
Eliminate Vacant Risk Analyst	**$ -**	**$ (104,408)**	**$ 104,408**
Streets Fund			
Increase Highway User Tax revenue estimate	$ 337,670	$ -	$ 337,670
Increase Appropriation for Resurfacing Program	-	337,670	(337,670)
Streets Fund Total	**$ 337,670**	**$ 337,670**	**$ -**
Finance Committee Recommendations			
Water			
Reduce Revenues for Reduction in Rate Increase to 3%	**$ (150,000)**	**$ -**	**$ (150,000)**
Wastewater Fund			
Eliminate SLIP Appropriations	$ -	$ (700,000)	$ 700,000
Increase Funding for Sewer Main Replacements	-	2,000,000	(2,000,000)
Wastewater Fund Total	**$ -**	**$ 1,300,000**	**$ (1,300,000)**
Solid Waste Fund			
Repayment of Franchise Fees	$ -	$ 50,000	$ (50,000)
City Council Priorities			
Downtown Parking Fund			
Restore Funding Cut New Beginnings	**$ 4,350**	**$ 4,350**	**$ -**
Other Adjustments			
Golf Fund			
Restore Fees to FY 2010 levels	$ (38,797)	$ -	$ (38,797)
Increase Advertising		60,450	(60,450)
Reduce Club House Painting Project		(50,000)	50,000
Reduce Appropriated Reserves	-	(87,440)	87,440
Golf Fund Total	**$ (38,797)**	**$ (76,990)**	**$ 38,193**