

**MINUTES OF THE ADJOURNED REGULAR MEETING OF THE
CITY COUNCIL AND COMMUNITY DEVELOPMENT COMMISSION
– HOUSING AUTHORITY OF THE CITY OF NATIONAL CITY**

FY 2012-2013 BUDGET WORKSHOP

May 22, 2012

The Adjourned Regular Meeting of the City Council and Community Development Commission – Housing Authority of the City of National City was called to order at 6:04 p.m. by Mayor / Chairman Ron Morrison.

ROLL CALL

Council / Board members present: Morrison, Natividad, Rios, Sotelo-Solis, Zarate.

Administrative Officials present: Dalla, Deese, Duong, Gonzales, Manganiello, Norrdin, Parra, Raulston, Silva, Smith, Stevenson, Vergara, Williams, Ybarra.

Others present: City Treasurer Mitch Beauchamp and Student Representatives Aileen Horta and Leemaylin Avila.

PLEDGE OF ALLEGIANCE TO THE FLAG BY MAYOR RON MORRISON

BUDGET WORKSHOP

1. City Manager Leslie Deese presented opening remarks on the FY 2012-2013 Preliminary Budget, reviewed the planned agenda and introduced individual staff members Alfredo Ybarra, Manuel Rodriguez, Stacy Stevenson, Tina Norrdin, Brad Raulston, Joe Smith, Steve Manganiello, Claudia Silva and Frank Parra who made individual presentations on the below listed topics. **NOTE:** All presentation materials are attached. See Exhibit "A".

2. Economic Outlook
 - California
 - National City
 - Significant Accomplishments
 - City Budget Overview
 - General Fund Budget
 - Capital Improvement Projects, (CIP) Budget
 - Successor Agency Budget (CDC-RDA)
 - Preview of Fiscal Year 2013-2014
 - Next Steps

BUDGET WORKSHOP (cont.)

2. Economic Outlook (continued)
City Manager Closing Comments & Recommendations
Community Input
City Council Comments and Direction

3. Public Comments
TESTIMONY: Richard Wingfield, National City, thanked the Council for their efforts to improve Butterfly Park.
Geoffrey Schrock, National City, offered suggestions on how to save energy and fuel costs.
Carolina Martinez, Environmental Health Coalition, emphasized to the Council the importance of amortization.
City Treasurer commented on the prospects of the Nutrition Center becoming more self-sufficient and the need to start promoting retention of the one cent district tax.

4. Council Direction/Comments
Council Member Natividad thanked the staff for all their hard work and suggested that now is a good time for the Mayor and Council to go on a retreat and develop a vision for the City.

Vice Mayor Sotelo-Solis thanked staff, suggested that we look at the Mile of Cars for fuel efficient vehicles, asked that the 125th Anniversary Committee and the plan for Butterfly Park be placed on a future agenda and said she supports the \$50,000 allocation for amortization.

Council Member Rios said she supports the idea for a retreat, encouraged Council members who serve on Ad Hoc committees to report back, commended staff for their presentations and hard work and spoke in support of the wellness program and funding for amortization.

Council Member Zarate said she takes pride in how the City has improved, is pleased with the great job done in the Capital Improvement Projects, congratulated Alfredo Ybarra for the recognition from HUD, said she hopes we will be able to use the proceeds from the bond sale and thanked staff for their work.

Mayor Morrison thanked the staff, said it was a good budget even though there is a great deal of uncertainty and said he supports the specific funding items recommended by the City Manager.

BUDGET WORKSHOP (cont.)

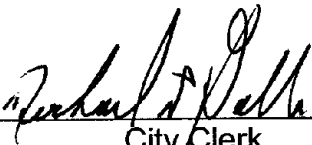
4. Council Direction/Comments (continued)

ACTION: Motion by Natividad, seconded by Sotelo-Solis, to approve transfer of \$558,028 from Reserves to General Fund and approve the City Manager's funding recommendations of \$70,000 for the Wellness Program, \$15,000 for the 125th Anniversary, \$5,000 for the South County Economic Development Committee, \$5,000 for the Chamber of Commerce, \$100,000 for property management and \$50,000 for Amortization. Carried by unanimous vote.

ADJOURNMENT

Motion by Rios, seconded by Zarate, to adjourn the meeting to the next Regular Meeting of the National City City Council and Community Development Commission – Housing Authority of the City of National City to be held Tuesday, June 5, 2012 at 6:00 p.m. at the Council Chambers, National City, California. Carried by unanimous vote.

The meeting closed at 8:39 p.m.



City Clerk

The foregoing minutes were approved at the Regular Meeting of December 4, 2012.



Mayor



PRELIMINARY BUDGET PRESENTATION FY 2012-2013

May 22, 2012

1



Presentation Agenda

- Background
- Economic Outlook
 - California
 - National City
- Significant Accomplishments
- City Budget Overview
 - General Fund Budget
- Capital Improvement Projects (CIP) Budget
- Successor Agency Budget (CDC-RDA)
- Preview of Fiscal Year 2013-2014
- Next Steps
- City Manager Closing Comments & Recommendations
- Community Input
- City Council Comments & Direction

2



Background

- In 2004, City Council priorities were public safety, technology, fiscal clarity, community engagement and image
- In 2005, City Council added overarching goal of fiscal sustainability with focus on General Fund
- In 2006, National City reached a severe financial fork in the road – survive or thrive was the question
 - Citizens and businesses responded by supporting a temporary sales tax of 1%

3



Background

- In 2007, City completed and implemented 5-Year Strategic Plan – as a result, National City is a more vibrant and safer place
- In 2008, after four consecutive years of saving money, City built contingency reserves to a high of \$9 million from \$4.2 million in 2005
- In 2009, with economy heading downward and costs escalating, City used \$1.5 million in contingency reserves to balance budget

4



Background

- In 2010, staff provided CARE ideas, financial trending and short-term recommendations to close FY 2009-10 estimated budget gap of \$3.3 million (at mid-year)
- In 2011, \$4.5 million budget deficit closed in part by operational reductions, voluntary separation program and slightly higher than projected revenues. Contingency reserves were not needed
- With this background, tonight we are presenting a preliminary budget for FY 2012-13

5



Economic Outlook

Alfredo Ybarra

6



California's Economic Outlook

- Economy improving but at a very slow pace
- The housing market is recovering slowly
 - Home sales have increased
 - Notices of default have declined
 - The median sales price of existing single family homes is up 8.4%
- The recovery of jobs lost during the Great Recession is forecasted for 4th quarter of 2015 (previous forecast 2nd quarter of 2016)

7



Governor's May Budget Revision

- Estimates a budget deficit of \$15.7B, up from the original projection of \$9.2B
 - Prior revenue forecast was too high (\$4.3B)
 - Higher costs to fund schools (\$2.4B)
 - Federal government and Courts blocked proposed budget cuts (\$1.7B)
- Assumes passage of the Governor's November 2012 Tax Initiative
 - Estimated to bring in approximately \$8.5B
 - Temporarily increases tax rates on highest income Californians
 - Temporarily increases Sales and Use Tax rate by 0.25%

8



Governor's May Budget Revision

- Legislative Analyst's Office reports there may be approximately \$1B less in revenue
 - Assumes \$1.4B in monies left from defunct redevelopment agencies
 - Failed to recognize legal obligations of former RDAs
- State's budget problems historically effect local government negatively

9



Governor's May Budget Revision

- Local impact will be seen in Tax Increment and Low/Mod Housing funding
 - "Creating a framework to transfer cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services. Assets transferred to schools will offset General Fund costs." (savings of \$1.4B)
From the Governor's Budget May Revision
- National City impacts are uncertain due to ROPS not being certified by County/State

10



National City Today



- Weathering worst economic climate since Great Depression
- Clean financial audits of City, CDC and Federal Awards
- City's Standard & Poors Rating is A
- CDC's Standard & Poors Rating is A-
- Limited General Fund Debt
- Continuous review of operating costs and seeking revenue enhancements

11



Unemployment Rates

- U.S. - 8.1%
- California -10.9% (lowest mark in 3 years)
- 2012-13 California rates expected to decline below 10%
- San Diego County – 8.7% (lowest mark in 3 years)
- National City -18.2%

(All figures are as of April, 2012)

12



National City Today

- Bradley Burns Sales Tax Not Fully Recovered
 - High of \$16.5 million in 2004
 - Low of \$8.7 million - 2010
 - Projection for 2012 - \$9.9 million
- Proposition “D” District Sales Tax Stable
 - \$7 - \$9 million projection on target
- Outside funding sources are being reduced

13



National City Today

- Fiscal Impacts
 - Federal budget actions lead to a 21% reduction in CDBG program funding and a 55% reduction in HOME Investment Partnerships program funding for National City
- Future impacts uncertain due to dissolution of California redevelopment agencies
- National City continues to make significant strides to cut costs, become more efficient and enhance revenues in challenging times

14



Significant Accomplishments FY 2011-2012

Manuel Rodriguez

15



Significant Accomplishments FY 2011-12

- Reduction in Crime Rate
 - Violent crime down 13%
 - Property crime down 2%
 - Overall crime down 4%

(data based on 2011 statistics)
- Completion of Proposition “D” Independent Committee Sales Tax Report
 - Committee Recommendation was that National City continue its use of a one-cent sales tax increase approved by the voters in 2006

16



Significant Accomplishments FY 2011-12

- Increased community partnerships with non-profit service providers by creating and maintaining activities that support the needs of National City families
- Increase daily average attendance at the Senior Nutrition Center (\$44,488 increase in grant funds)
- Additional \$2,235,107 in HOME program income and \$531,765 in CDBG program income was recovered
- Energy Retrofit Program achieved 6% more than estimated savings (\$129,343)

17



Significant Accomplishments FY 2011-12

- Completion of El Toyon multi-use field
- Named an American Star Library by the Library Journal Index of Public Library Service for the third year in a row
- Housing & Grants, Section 8 named high performing agency by HUD
- Agreement with Chandler Asset Management and County of San Diego to provide Investment Management Services
- Effectively changed banks for City and CDC: transitioned from two separate banks to one

18



FY 2012-13 City Budget

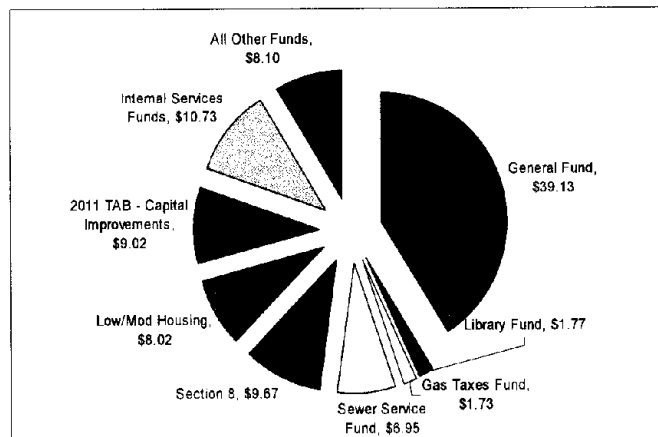
Stacey Stevenson

19



Overall City Budget

- Total Expenditures by Fund - \$95.12M



20



FY 2012-13 General Fund Budget

Stacey Stevenson & Tina Norrdin

21



Preliminary FY 2012-13 General Fund Summary

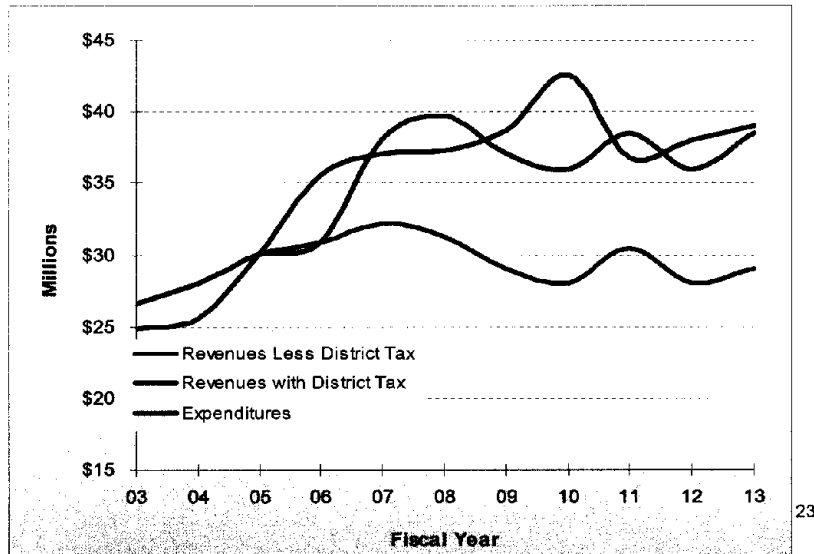
Estimated Revenue*	\$38,450,538
Estimated Expenditure**	\$39,008,566
Estimated Surplus/(Deficit)	(\$558,028)

*includes transfers in

**includes transfers out

22

General Fund Revenue and Expenditure Forecast



23



General Fund - Revenue

	Projected Year- End Actual (2011-2012)	2012-2013 Projection
Sales Tax	\$ 9,910,824	\$ 10,567,101
Prop D District Tax	\$ 9,052,000	\$ 9,410,000
Property Tax	\$ 1,508,472	\$ 1,537,243
Property Tax in Lieu of VLF	\$ 4,931,254	\$ 4,931,260
Property Tax in Lieu of Sales tax	\$ 3,403,217	\$ 3,522,366
Other Revenue	\$ 6,807,779	\$ 8,482,568
Total	\$ 35,613,546	\$ 38,450,538

24

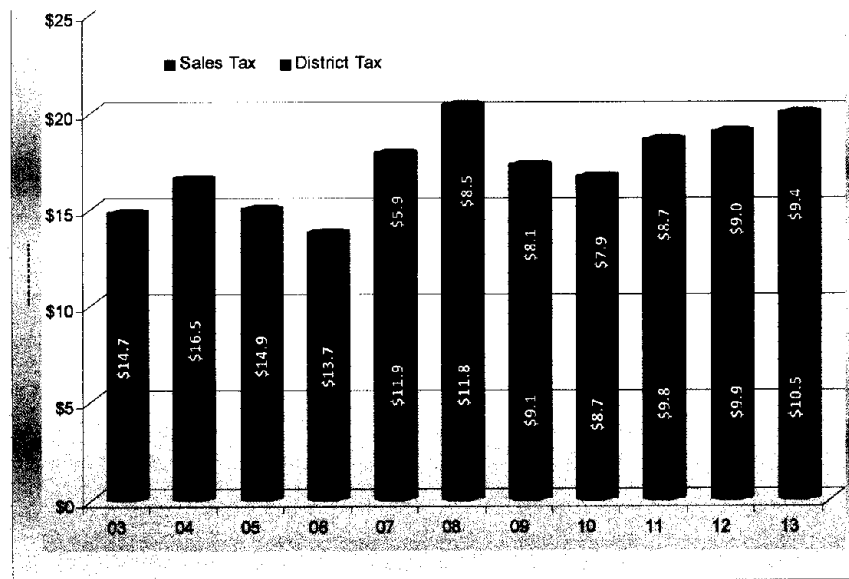


National City Sales Tax

- Bradley Burns Sales Tax revenues up 5.8 percent over same period last year
 - October through December 2011 sales
 - Sales tax revenue lags by approximately three months
- Auto sales, fuel and new businesses added to revenue flow
- Prop D District Sales Tax revenues up 2.4 percent over same period last year

25

Bradley Burns Sales Tax and District Sales Tax





General Fund - Expenditures

	FY 2011-12 Adopted	FY 2012-13 Preliminary	Change
Personnel	\$25,772,224	\$25,930,382	\$158,158
M & O	\$4,425,513	\$3,883,736	(\$541,777)
Capital	\$5,000	\$690,000	\$685,000
Internal Charges	\$6,707,480	\$6,467,389	(\$240,091)
Transfers Out	\$1,430,884	\$2,157,671	\$726,787
Total General Fund	\$3,8341,101	\$39,129,178	\$788,077

27



Significant General Fund Impacts

Staffing absorbed from Tax Increment	\$1.5M
Fire Wellness Program	\$45k
City-wide Wellness Program	\$25k
Elections	\$35k
125 th Anniversary Funding	\$15k

28



General Fund Impacts

- **Redevelopment**
 - 17.95 FTE's previously funded by Tax Increment have been absorbed by the General Fund
 - Successor Agency administrative allowance allocated to cover percentage of salary for positions directly supporting Successor Agency. Funding for administrative allowance uncertain
 - Staff time for capital projects will be reimbursed
- **Employee Benefits**
 - Health care rates increased 4.2% (increase shared equally by employees and City)
 - Retirement costs: 0.288% increase for miscellaneous employees; 1.013% decrease for public safety employees
- **Internal Service Charges Updated**

29

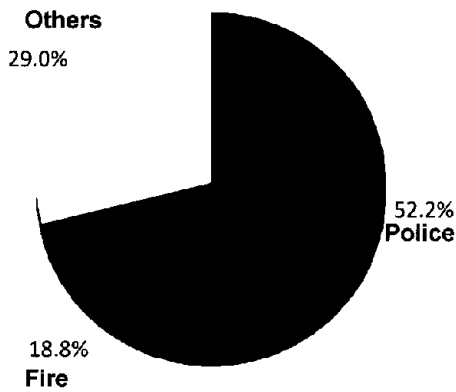


Staffing Levels All Funds

	FTEs
FY 2011-2012	375.79
FY 2012-2013	<u>369.52</u>
Net Change	(6.27)

30

General Fund Percentage of Expenditure by Department



- *Police 52.2%
- *Fire 18.8%
- *Others 29.0%
- City Attorney
- City Clerk
- City Council
- City Manager
- City Treasurer
- Comm. Development
- Comm. Services
- Development Services
- Public Works
- Non Departmental



General Fund Reserves

Beginning Fund Balance projected at \$13.5M

▪ Contingency Reserve / Undesignated Balance	\$7,059,792
▪ Committed	\$1,671,257
▪ Assigned	\$4,829,800



General Fund Reserve Policy

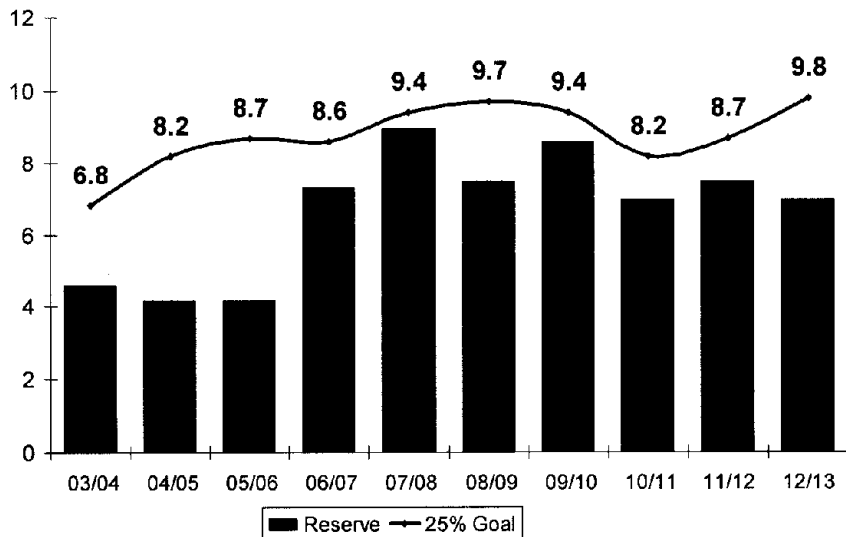
General Fund Policy: ... range between 25% and 50% of a single year's General Fund operating expenditures

- FY 2012-13 estimated General Fund expenditures = \$ 39,129,178
- Contingency Reserve projected at \$7M

33



General Fund Contingency Reserve



34



Reserve Policy

Brad Raulston & Joe Smith

35



Reserve Fund Policy

- Council Policy 201, Maintenance of Reserve Funds
 - Contingency
 - General Fund
 - Gas Tax Fund
 - Sewer Service Fund
 - Liability Insurance
 - Workers' Compensation
 - Debt Service
 - Equipment Replacement Reserve

36



Reserve Fund Policy

- Council Policy 201, Maintenance of Reserve Funds
 - Equipment Replacement Reserve: “An amount equal to the accumulated depreciation of the replacement value of the motor vehicle fleet.”

Current Fund Balance	Transfer in*	New Fund Balance
\$ 242,080	\$ 575,342	\$ 817,422

*Transfer in is from the Motor Vehicle Service Fund

37



Capital Improvement Program and Bond Update

Brad Raulston & Steve Manganiello

38



Capital Improvement Program

- **Five-year Budgeting Process for Establishing Capital Priorities**
 - Approximately \$120 million in capital needs identified over the 2011-2016 period
 - Housing projects were included in the CIP with a total of \$59 million in needs identified
 - Approximately 40 Capital Projects are currently “active” with approximately \$40 million in funds available
 - Funding sources for Capital Projects often have restrictions (scope, timeline for expenditures, etc.)

39



Capital Improvement Program

- **Capital Priorities were Established through Criteria Based Evaluation, Community Input and Long-Range Planning**
 - Key criteria considered: health & safety, project costs & funding, Community support, General Plan consistency, & on-going maintenance costs
 - General Plan Update was completed in 2011 and provided blueprint for public improvements throughout National City
 - Projects were also derived from other long-range planning efforts such as the City’s Strategic Plan and Specific Area Plans

40



2011 Tax Allocation Bond

- CDC Sold Approximately \$40 million in Redevelopment Bonds in 2011
 - \$34 million available after issuance costs and reserves
 - \$15 million for Housing and \$19 million for Capital Improvements
 - Provides major funding for CIP, but is restricted to Redevelopment Project Area
- Proceeds must be Committed within 3 Years

41



2011 Tax Allocation Bond Projects

- Housing
 - WI-TOD (Westside Infill Transit Oriented Development)
 - Phase I: 109 homes for deserving families; new neighborhood park with active and passive recreation to compliment Paradise Creek
 - Phase II: 92 homes for deserving families
 - Project requires relocation of Public Works
- Economic Development
 - SR-54 Gateway Project (Derr/Sudberry Development)
- Quality of Life Facilities, Parks & Recreation
 - Kimball Park Improvements
 - Las Palmas Park Improvements
 - Aquatic Center

42



2011 Tax Allocation Bond Projects

- Community Corridors
 - 8th Street Smart Growth Revitalization
(Harbor Drive to Highland Avenue)
 - 8th Street Safety Enhancements
(Highland Avenue to Palm Avenue)
 - Highland Avenue Safety Enhancements
(Division Street to 8th Street)
 - Coolidge Ave Community Corridor
(Plaza Boulevard to 18th Street)
 - D Avenue Community Corridor / Roundabout (12th Street)
(Division Street to 30th Street)
 - 4th Street Community Corridor
(Roosevelt Avenue to Harbison Avenue)

43



2011 Tax Allocation Bond Projects

Capital Improvement Projects 2011 Tax Allocation Bond (TAB) Spending Plan Fiscal Year 2012-2016	Budget FY 11-12	Budget FY 12-13	Budget FY 13-14	Budget FY 14-15	Budget FY 15-16	Total
Westside Infill Transit Oriented Development (WI-TOD)	15,000,000					15,000,000
Kimball Park Improvements	630,000	2,500,000				3,130,000
Las Palmas Park Improvements	1,400,000	4,785,000				6,185,000
Aquatic Center	3,500,000					3,500,000
8th Street Smart Growth Revitalization	1,300,000	1,000,000				2,300,000
8th Street Safety Enhancements	430,000					430,000
Highland Avenue Safety Improvements	400,000	450,000				850,000
Coolidge Avenue Community Corridor	970,000	283,683				1,253,683
D Avenue Community Corridor - Roundabout	600,000					600,000
4th Street Community Corridor	400,000					400,000
Port Park	300,000					300,000
Totals	24,930,000	9,018,663	0	0	0	33,948,663

44



WI-TOD

Overall Project Budget Estimate

LOCAL

- \$15 Million 2011 Tax Allocation Bond (Housing)
- \$10 Million Low-Mod Fund Balance
- \$2 Million HOME Grant
- \$500k State Catalyst Grant
- \$500k Federal EPA

PARTNER

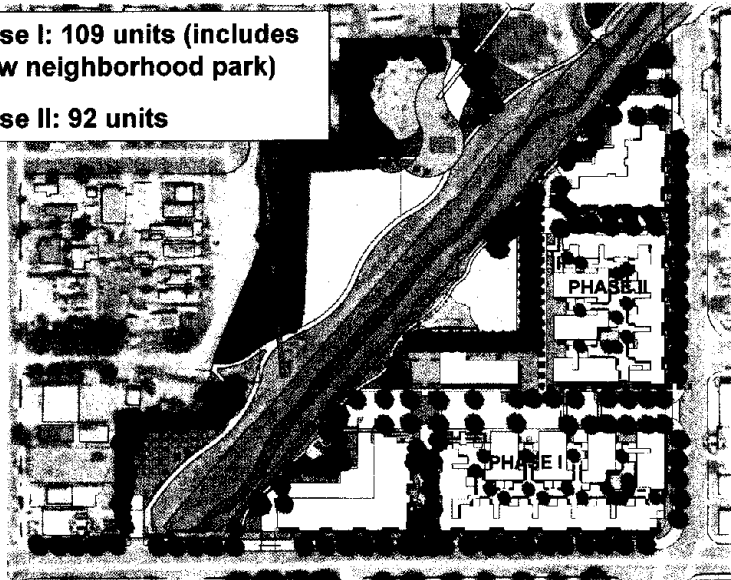
- \$8.6 Million State Prop 1C Grant (\$4.6/\$4)
- \$31 Million Tax Credits/Bank Loan (\$17/\$14)

45

WI-TOD

**Phase I: 109 units (includes
new neighborhood park)**

Phase II: 92 units



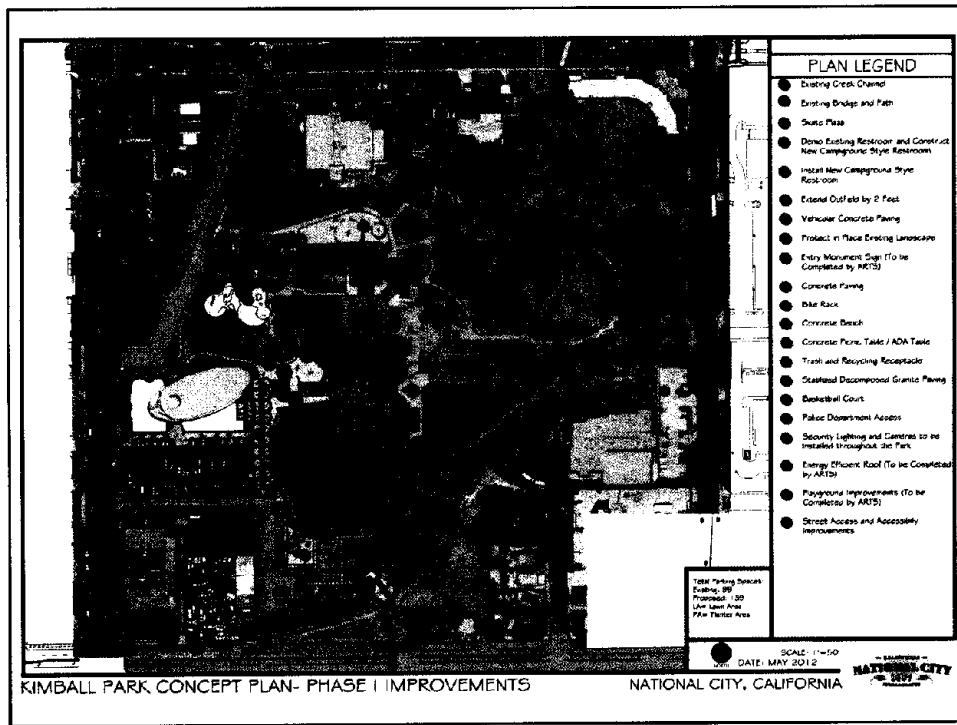
46

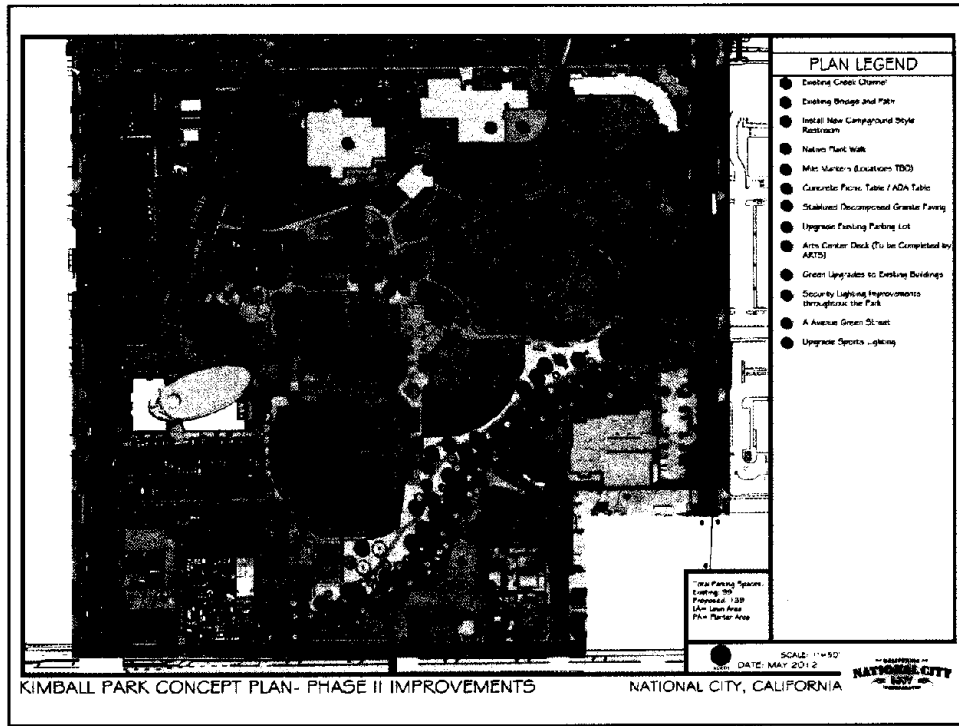


Kimball Park Improvements

Overall Project Budget Estimate

•\$3.1 million	2011 Tax Allocation Bond (Capital)
•\$2.5 million	Phase I (includes \$500,000 "Challenge Grant" - ARTS)
•\$600k	Phase II





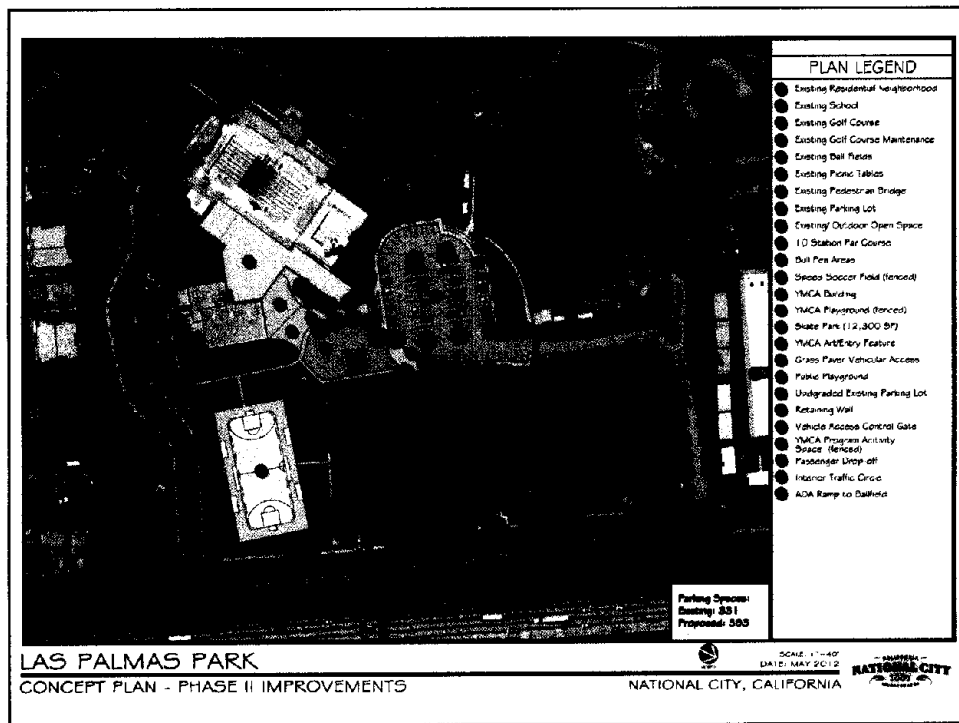
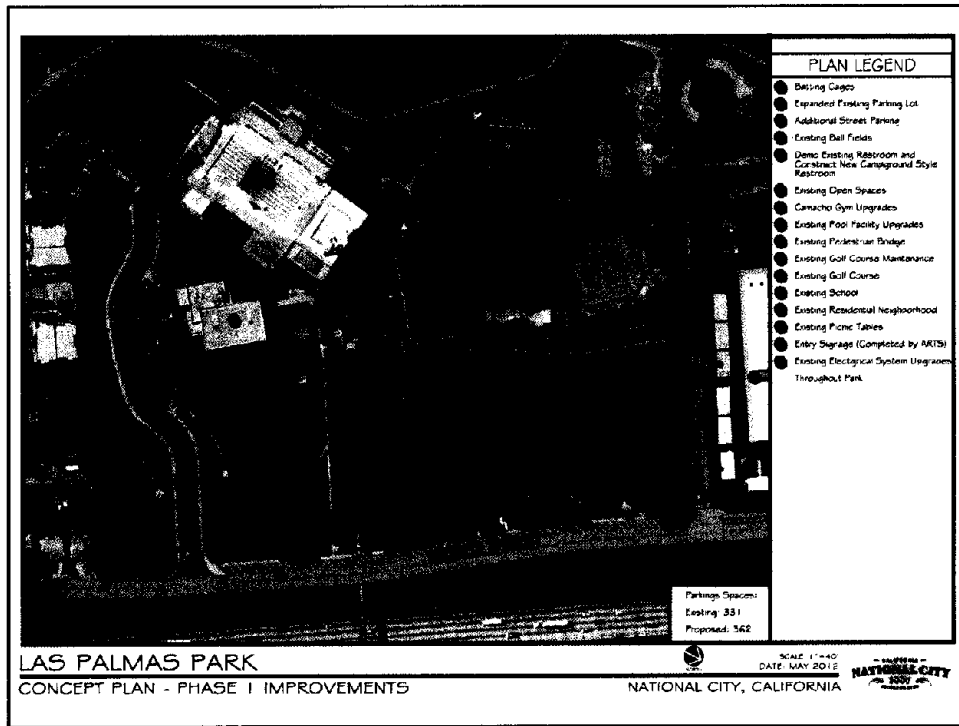
NATIONAL CITY

Las Palmas Park Improvements

Overall Project Budget Estimate

•\$6.2 million	2011 Tax Allocation Bond (Capital)
<hr/>	
•\$1.2 million	Phase I
•\$5 million	Phase II "Challenge Grant" - YMCA

50



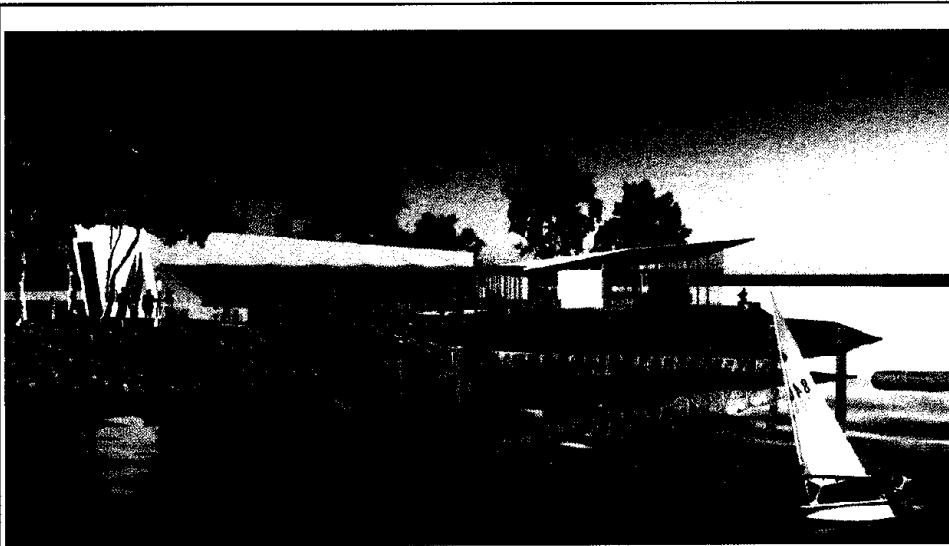


Aquatic Center

Overall Project Budget Estimate

•\$3.5 million	2011 Tax Allocation Bond (Capital)
•\$830k	Port Grant
•\$150k	County Grant
<hr/>	
• \$4.5 million	Total

53



54



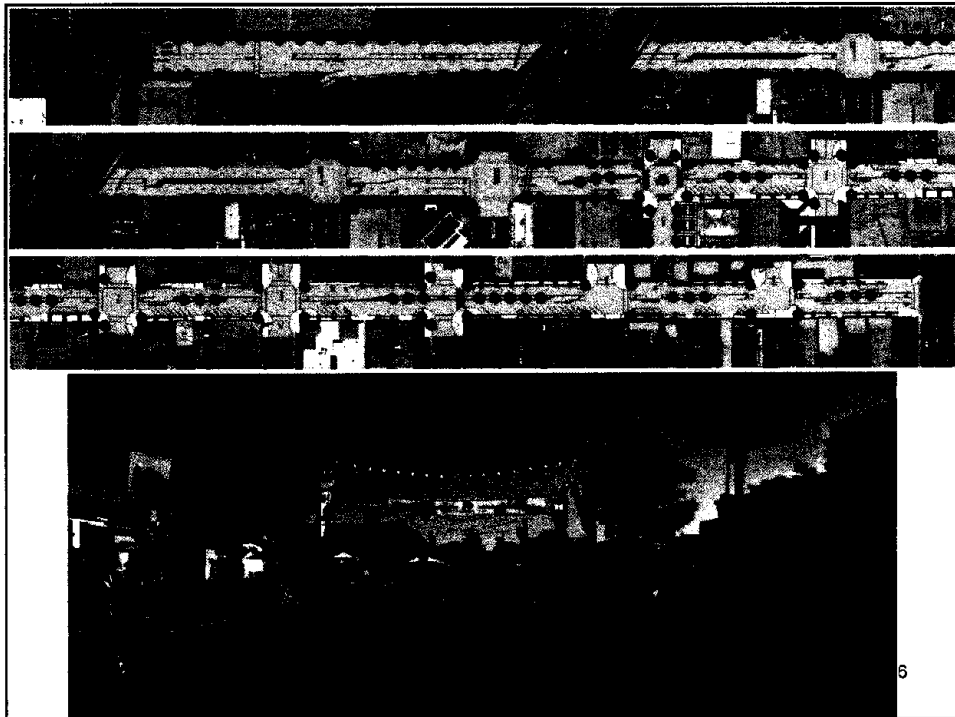
8th Street Corridor Smart Growth Revitalization

Overall Project Budget Estimate

•\$2.3 million	2011 Tax Allocation Bond (Capital)
•\$2 million	Sewer Fund
•\$2 million	CPUC Rule 20A - Utility
Undergrounding	
•\$2 million	SGIP Grant
•\$450k	SR2S Grant
•\$200k	Gas Tax
•\$200k	Prop A TransNet

•\$9.2 million *Total*

55



6



8th Street Corridor Safety Enhancements

Overall Project Budget Estimate

•\$430k	2011 Tax Allocation Bond (Capital)
•\$900k	HSIP Grant
•\$50k	Gas Tax
•\$200k	Prop A TransNet
<hr/>	
•\$1.6 million	<i>Total</i>



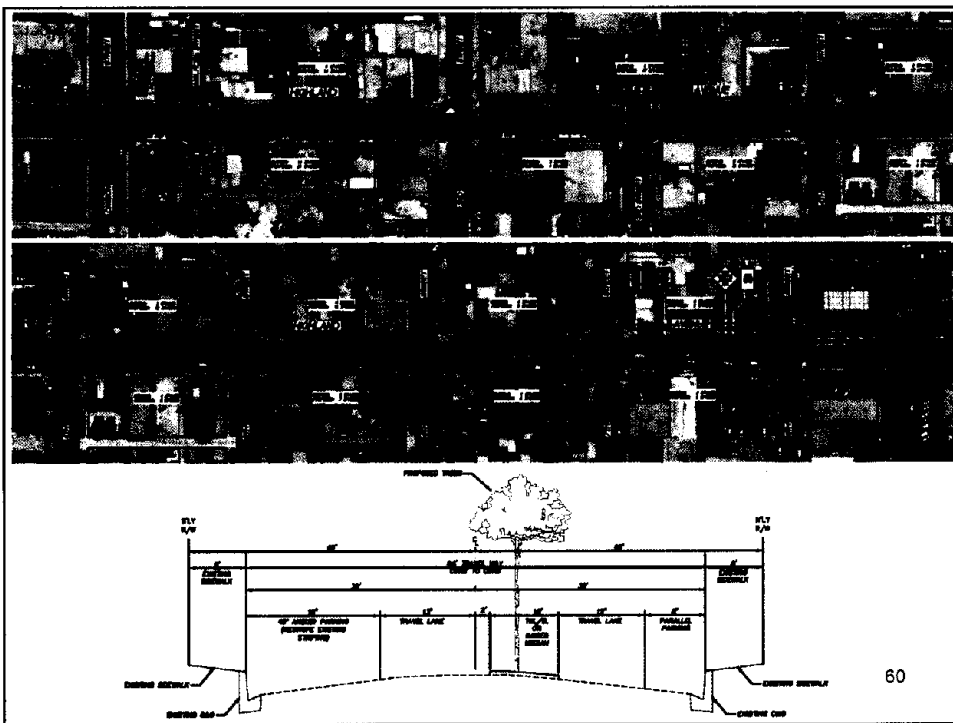


Highland Avenue Safety Enhancements

Overall Project Budget Estimate

•\$850k	2011 Tax Allocation Bond (Capital)
•\$900k	HSIP Grant
•\$170k	Gas Tax
•\$500k	Prop A TransNet
<hr/>	
•\$2.4 million	Total

59

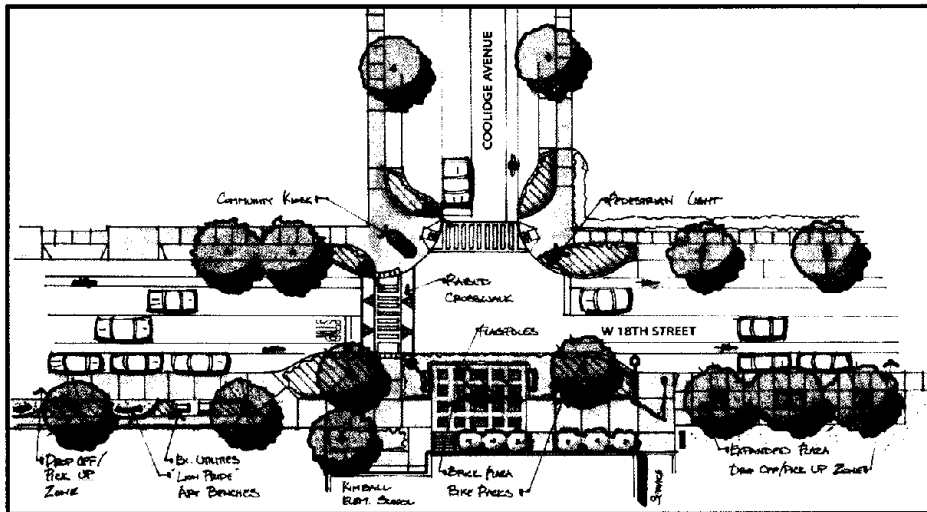




Coolidge Avenue Community Corridor

Overall Project Budget Estimate

•\$1.2 million	2011 Tax Allocation Bond (Capital)
•\$730k	SR2S Grant
•\$50k	Gas Tax
•\$70k	Prop A TransNet
<hr/>	
•\$2 million	Total



COOLIDGE AVENUE

KIMBALL ELEMENTARY SCHOOL CONCEPT PLAN

SAFE ROUTES TO SCHOOL
NATIONAL CITY, CALIFORNIA



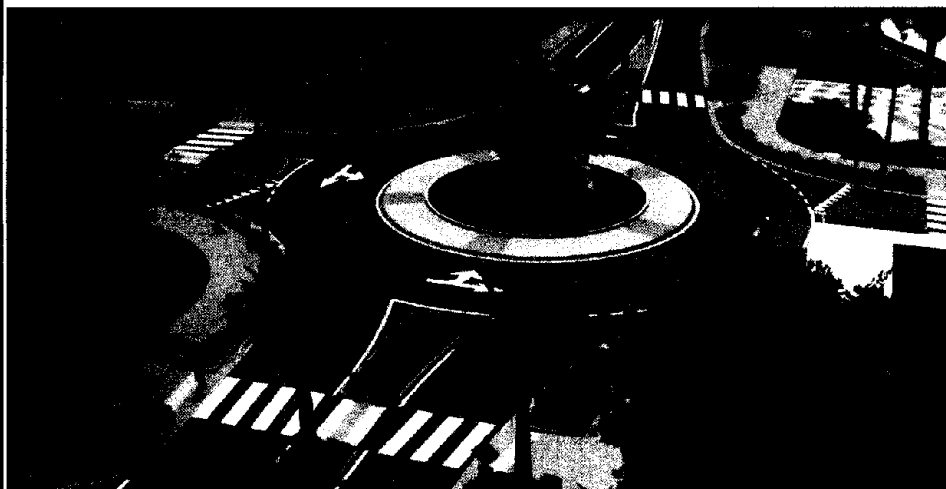


D Avenue Community Corridor / Roundabout

Overall Project Budget Estimate

•\$600k	2011 Tax Allocation Bond (Capital)
•\$500k	SR2S Grant
<hr/>	
• \$1.1 million	Total

63



64



4th Street Community Corridor

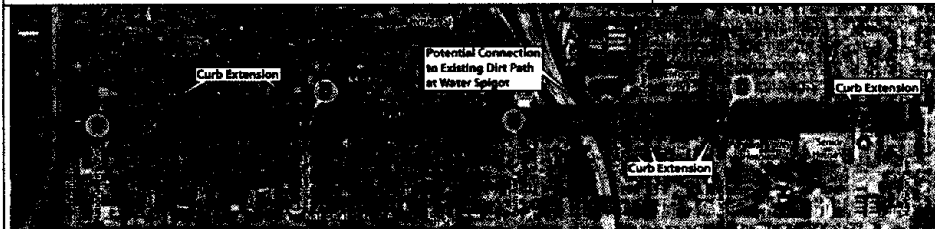
Overall Project Budget Estimate

•\$400k	2011 Tax Allocation Bond (Capital)
•\$355k	BTA Grant
•\$245k	CDBG Grant
•\$200k	Prop A TransNet
<hr/>	
•\$1.2 million	Total

65

Bike lanes and traffic calming are proposed on 4th Street from Roosevelt Avenue to Harbison Avenue. 4th Street is a wide two lane east-west collector street with on-street parallel parking. The speed limit on 4th Street is 35 mph and the average daily traffic is between 5,000 and 10,000. The existing curb-to-curb width west of Palm Avenue is 48' feet and varies between 52' and 64' east of Palm Avenue. The wide roadway widths can accommodate bike lanes throughout the corridor without impacting existing parallel parking. Bike lanes and traffic calming measures are proposed along the corridor to improve bicycle connectivity to destinations including El Toyon Park, Paradise Valley Hospital, the new Senior Housing development, and San Diego Academy.

- 2 miles of Class II Bike Lanes
- Bicycle loop detectors at all signalized intersections
- Curb Extensions with high visibility crosswalks



Curb extensions reduce the distance of pedestrian crossings by extending the sidewalk out to align with the edge of the parking lane. Placed at intersections or at mid-block crosswalk locations, curb extensions and high-visibility crosswalks both calm traffic and also increase the visibility of pedestrians waiting to cross the street. Curb extensions should only extend across the parking lane and not obstruct bicyclists' path of travel or the travel lane.

- Bike Lane Adjacent to On-Street Parallel Parking 1.3.1.1
- Bicycle Signal Actuation 1.3.2.1
- Road Diet Parking Reduction 1.3.3.3
- On-Street Bikeway Signage 3.1.2

66



FY 2012-13 Recommended CIP Project Appropriations

Fund 001 – General Fund (reimbursable)

Kimball Tower Rehab (1593)	\$465,000
Morgan Tower Rehab (1594)	\$225,000

Fund 108 – Library Capital Outlay

New Library Rehab (1590)	\$150,000
--------------------------	-----------

Fund 109 – Gas Tax

Traffic Monitoring (6573)	\$200,000
---------------------------	-----------

Fund 189 – Civic Center Refurbishing

Chiller Project (Air Side) (1591)	\$100,000
-----------------------------------	-----------

Fund 301 – CDBG

Concrete Improvements (6137)	\$220,657	67
------------------------------	-----------	----



FY 2012-13 Recommended CIP Project Appropriations (continued)

Fund 307 – Proposition A

Street Resurfacing (6035)	\$520,000
Traffic Signal Upgrades (6558)	\$50,000
Plaza Boulevard Improvements (6569)	\$200,000

Fund 522 – Low Mod

WI-TOD Phase I (1592)	\$8,000,000
-----------------------	-------------

Fund 524 – 2011 TAB (Capital Improvements)

8 th Street Revitalization (3918)	\$1,000,000
Kimball Park Improvements (4132)	\$2,500,000
Las Palmas Park Improvements (4133)	\$4,785,000
Highland Avenue Improvements (6170)	\$450,000
Coolidge Avenue Improvements (6173)	\$283,663

Total CIP (FY 2012-13)	\$19,349,320	68
-------------------------------	---------------------	----



Successor Agency to the Community Development Commission as the National City Redevelopment Agency

Brad Raulston & Claudia Silva

69



Background

- ABx 1 26 was upheld by the Supreme Court in December, 2011
- Redevelopment agencies were dissolved effective February 1, 2012, activating the Successor Agency
- The Oversight Board held its first meeting on April 10 and On May 2, the Oversight Board approved the Recognized Payment Obligations Schedules (ROPS) I and II for the periods January 1, 2012 thru June 30, 2012; and July 1, 2012 thru December 31, 2012
- Legislative Updates on ABx 1 26

70



Redevelopment Impacts

Previously funded by Tax Increment

Included in Preliminary General Fund Budget

- Personnel costs (\$1.2M)
- Enterprise Zone (\$51k)
- Graffiti Program

Currently not Included in Preliminary General Fund Budget (will seek Council direction)

- South County Economic Development Council (\$5k)
- Economic Development Programs with Chamber (\$50k)
- Amortization Implementation (\$25-\$50k)
- Property Management for CDC Assets (\$100k+)

Unfunded Administrative Costs

Unspent Bond Proceeds

71



Preview of Fiscal Year 2013-2014

Frank Parra

72



Forecast

- **Uncertainty with Federal Community Development Block Grant (CDBG) Funding**
 - During past two years, \$1B in federal cuts to CDBG program with additional cuts to HOME
 - The President's proposed budget includes a slight increase to CDBG and a maintenance of HOME funds
- **Uncertainty with State Budget**
 - Proposed Post-RDA Budget Concerns
- **Retirement cost increases**
 - PERS lowered the discount rate from 7.75% to 7.5%. Miscellaneous rates will increase by 1% to 2%, safety rates will increase by 3% to 4% (two year phase in)

73



Forecast

- **Water Rates**
 - Metropolitan Water District is anticipated to raise rates by 5% in both 2013 and 2014
- **Fire Dispatch**
 - If San Miguel leaves to Cal Fire, the City could see a rate increase of \$55,000 in Heartland Dispatch fees
- **Cost Allocation Study**
 - Impact on fees
 - Full cost recovery

74



Next Steps

Stacey Stevenson & Brad Raulston

75



Budget Calendar - Next Steps

- May 22: Preliminary budget report
- May 23: Begin finalizing budget documents
- June 19: Adoption of the FY 2012-2013 budgets for the City and the Successor Agency
- June 19: Management Compensation Plan
- Quarterly updates
- January/February 2013: Mid-Year Budget Review and Strategic Planning

76



Going Forward – FY 2012-13 Budget Process

- Staff will closely monitor budget and update Council on budgetary goals on a quarterly basis
- Staff may recommend revisions to budget at January 2013 mid-year budget review
- If budget assumptions are NOT met, there are 3 options:
 - Use additional contingency reserves, or
 - Service reductions; or
 - Combination of both

77



Strategic Planning – Next Steps

- 5-year Strategic Plan
 - Community Services
 - Sustaining Quality of Life Facilities
 - YMCA Challenge Grant
 - ARTS Challenge Grant
 - Information Technology
 - Public Works
 - Fleet Replacement and Maintenance
 - Parks and Facilities
 - Streets, Sewer, and Stormwater

78



Closing Comments

Leslie Deese

79



City Manager's Closing Comments

- Significant strides made by all City departments to cut costs, become more efficient and enhance revenues
- The deficit is being addressed through a combination of employee concessions, managed attrition, slightly improved revenues and one-time fixes. New revenue streams are needed
- The impacts of dissolution of the redevelopment agency will continue to unfold over the course of the fiscal year

80



City Manager's Closing Comments

- City will remain committed to building partnerships with the community, local businesses and regional partners
- City will continue to streamline the way we do business and better align the functions of city departments
- Strategic Organizational Efficiencies
 - 5 Departments (Police, Fire, Engineering, Community Services, Administrative Services)
- Employee Participation
 - Gatekeeper Mechanisms/CARE Committee
 - Pension
 - Furlough

81



City Manager's Closing Comments

- No forced employee reductions anticipated
- Core City programs will remain intact however service levels may be impacted
- Budget Committee: Brad Raulston, Stacey Stevenson, Tina Norrdin, Janel Pehau, Suzanne Wellcome, Teresa Mendoza, Steve Manganiello, Barby Tipton

82



City Manager Recommendations

- Continue efforts to balance the budget
- Use General Fund unassigned fund balance to close the projected General Fund gap, if needed (currently projected at \$558,028)
- Programs recommended for GF funding
 - Employee Wellness Programs
 - 125th Anniversary
- Former TI expenditures currently not included in Preliminary General Fund Budget
 - Economic Development
 - South County Economic Development Council *5,000 RFC*
 - Chamber of Commerce *5,000 Rfc*
 - Property Management for CDC Assets *100,000*
 - Amortization Implementation

83



Community Input & Comments

84



City Council Comments & Direction

85



City Manager Recommendations & City Council Direction

- Continue efforts to balance the budget
- Use General Fund unassigned fund balance to close the projected General Fund gap, if needed (currently projected at \$558,028)
- Programs recommended for GF funding
 - Employee Wellness Programs
 - 125th Anniversary
- Former TI expenditures currently not included in Preliminary General Fund Budget
 - Economic Development
 - South County Economic Development Council
 - Chamber of Commerce
 - Property Management for CDC Assets
 - Amortization Implementation

86