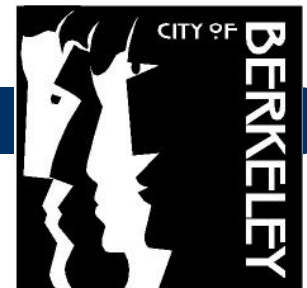


FY 2005 First Quarter Budget Update

December 7, 2004



What is our Budget Story?

- Beginning in FY 2003, the City has experienced significant budget deficits
- Since FY 2003, the General Fund has reduced *recurring expenditures* by over \$12 million
 - **\$2.5 million in FY 2003**
 - **\$3.8 million in FY 2004**
 - **\$5.8 million in FY 2005**
- FY 2006 Projected General Fund Deficit of \$7.5 M and \$3.4 M in FY 2007

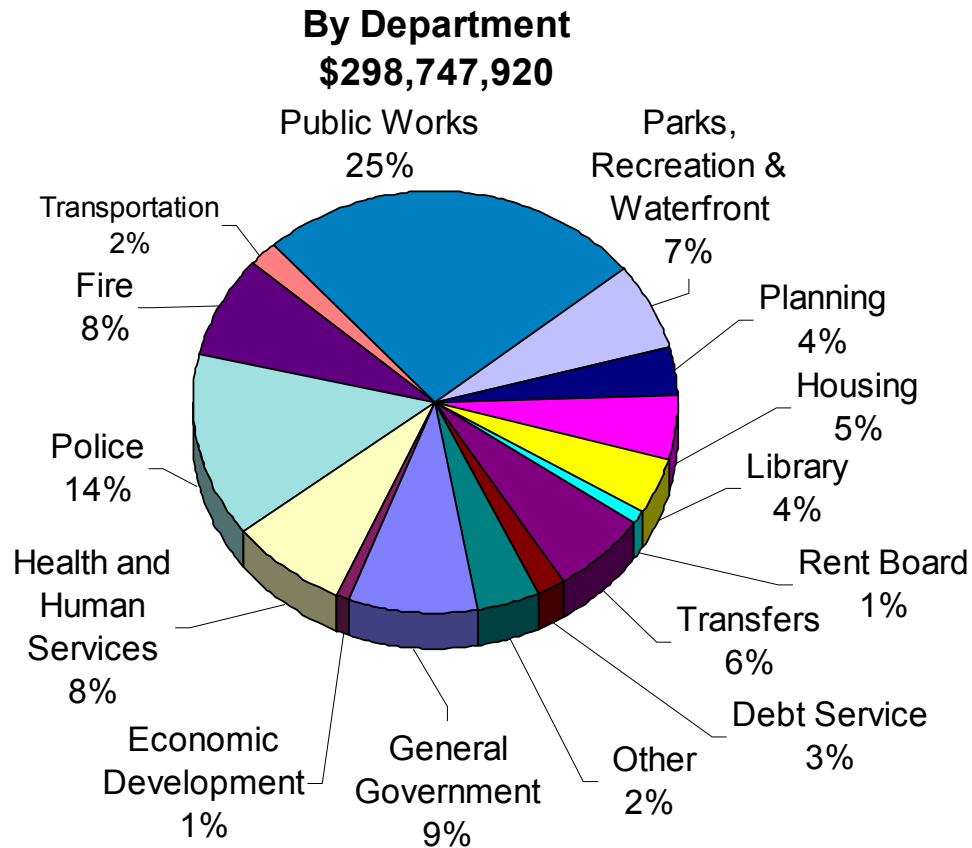
FY 2005 Adopted Balancing Actions

- **FY 2005 – General Fund –**

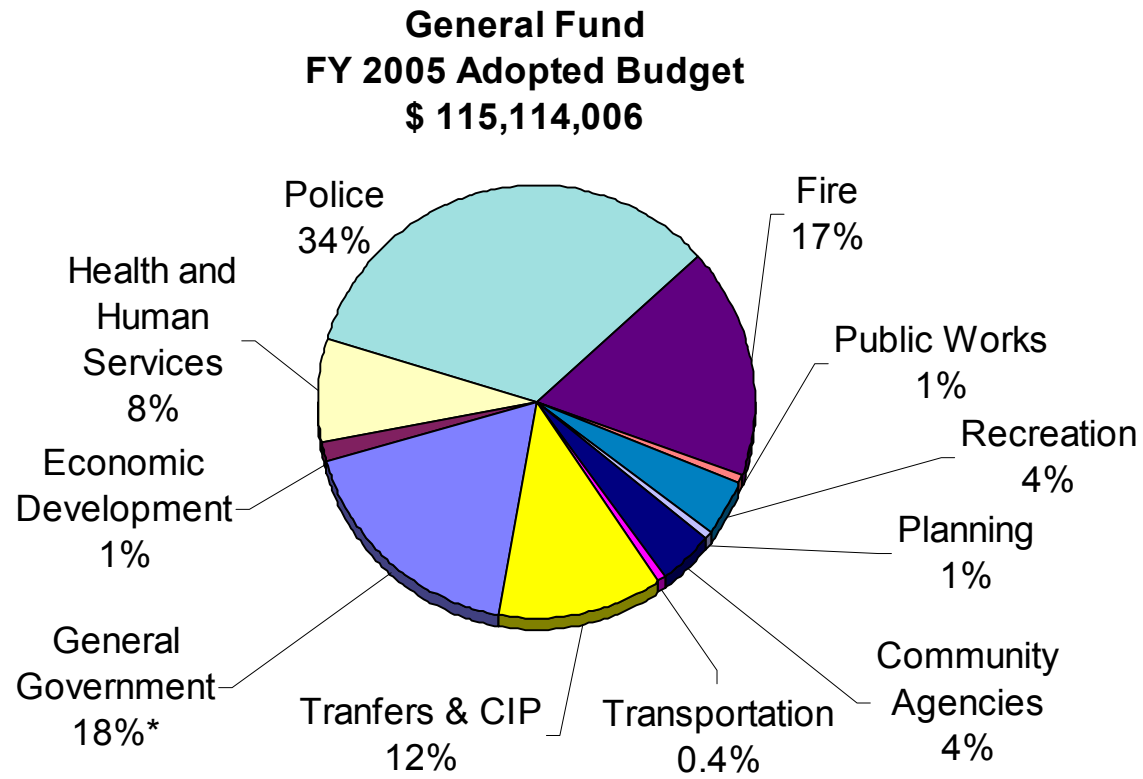
- \$10.3 million Deficit:**

- + \$300,000 new revenue
 - + \$1.3 million reserves
 - - \$1.7 million funding restructuring
 - Including PERS Police Fresh Start = \$1.2 M
 - - \$7.0 million Program Reductions
 - Including \$1.4 million in employee savings

FY 2005 All Funds – Adopted Expenditure Budget



FY 2005 General Fund Expenditures Detail



***General Government actually 9% of total City Budget**

GF Transfer & CIP - Explanation

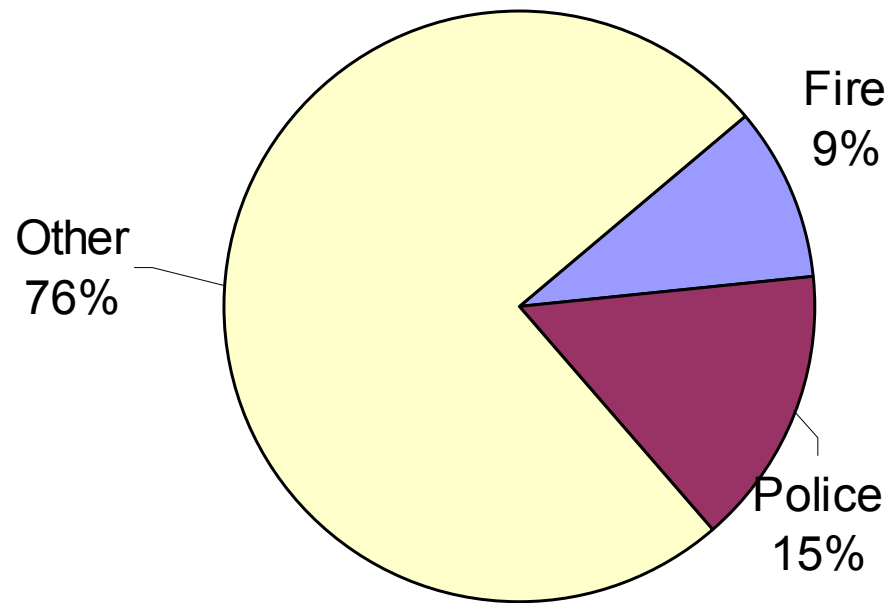
- **12% reflects Transfers to Other Funds for:**
 - \$4.5 M to Capital Improvement Fund
 - \$1.4 M to Public Liability Fund
 - \$1.2 M Debt Service Fund
 - \$1.0 M Safety Members Pension Fund
 - \$2.8 M in subsidies to other funds (Paramedic Tax, Permit Service Center, Street Lighting, Parking Meters)

Shift of General Fund Discretionary Budget to Public Safety

How much discretionary revenue to we really have?

- Since FY 2002, the percentage of General Fund allocated to Public Safety has grown from 45% to 51%
- Increased expenditures in Public Safety result in decreased budgets for all other General Fund operations

Percent of 3-Year Cuts as Compared to FY 2005 GF Budget



FY 2005 First Quarter Update - General Fund Expenditures

- First Quarter Expenditures mostly on target
- Fire Department Overtime budget 42% expended by first quarter
 - Projections show full expense of entire year's overtime budget by December 2004
 - Projected \$400,000 - \$600,000 net over expenditure at the end of FY 2005 (*assumes \$300,000 FY 2005 reduction on overtime*).

FY 2005 First Quarter Update - General Fund Revenues

Revenue Categories	Adopted	Actual	Projected	Change over Adopted	
	FY 2005	7/1/04-9/30/04	FY 2005	%	\$
Secured Property	\$27,612,280	\$ 336,558	\$27,404,505	-0.8%	-\$207,775
Unsecured Property taxes	2,253,282	1,595,621	2,012,553	-10.7%	-\$240,729
Transfer tax	8,600,000	4,241,827	11,500,000	33.7%	\$2,900,000
Sales taxes	13,596,000	3,367,744	13,596,000	0.0%	\$0
Utility users taxes	14,260,480	3,332,819	14,060,480	-1.4%	-\$200,000
Transient occupancy taxes	2,515,940	616,002	2,442,244	-2.9%	-\$73,696
Business license	11,037,000	271,163	11,037,000	0.0%	\$0
Vehicle in lieu taxes	4,238,675	751,780	4,765,467	12.4%	\$526,792
Parking fines	9,300,000	2,360,666	8,715,000	-6.3%	-\$585,000
Interest income	3,000,000	648,911	2,700,000	-10.0%	-\$300,000
Ambulance fees	2,402,000	554,971	2,402,000	0.0%	\$0
Supplemental taxes	1,404,000	173,519	1,404,000	0.0%	\$0
Franchise fees	1,421,374	165,141	1,421,374	0.0%	\$0
Other revenue	6,230,583	1,529,578	6,480,583	4.0%	\$250,000
Transfers	6,672,794	1,570,770	6,672,794	0.0%	\$0
Total revenue:	\$114,544,408	\$21,517,070	\$116,614,000		\$2,069,592

FY 2005 First Quarter Update – Parking Fine Revenues

- Parking Fine revenue continues to decline
- Implementing correcting plan that includes:
 - ○ Improving Parking Enforcement Officer (PEO) training
 - ○ Developing an employee recognition program to improve morale and performance
 - ○ Possibly adding additional field supervision
 - ○ Reviewing the hours of Parking Enforcement operations
 - Developing PEO improvement plan for employees
 - Developing alternative plans for parking meters

FY 2005 First Quarter Update - General Fund One-Time Revenue

- Good News: FY 2005 revenue projections indicate \$2 million in one-time unanticipated revenue
 - *Proposed Policy - Use one-time Property Transfer Tax revenue for non-recurring expenses such as critical, unfunded infrastructure needs*
- Per Proposition 1A, City to receive \$1.6 M in State reimbursement for FY 2004 VLF
- **One-time revenue does not reduce projected structural deficits in out years**

Major Unfunded Priority Needs

- Public Safety Computer System (\$2.5M - \$3M)
- Pedestrian Plan
- Pavement Markings
- Deferred Maintenance of Streets & Buildings

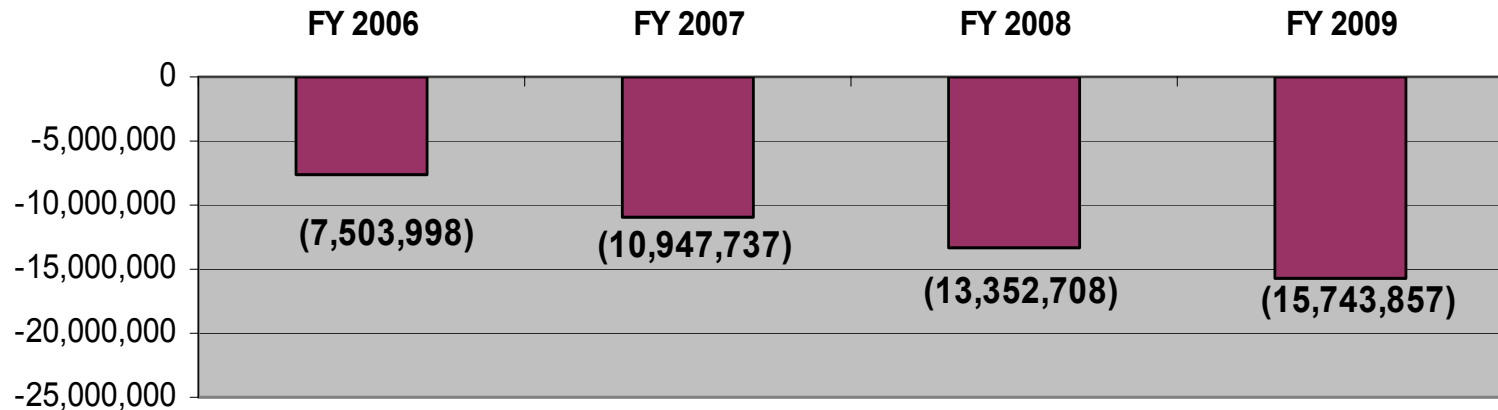
FY 2006 & FY 2007 Biennial Budget Structural Deficit Projection

Two-year General Fund deficit of \$10.9 M

- Original deficit projection of \$6.2 million increased to \$7.5 million due to rate increased from PERS
- FY 2007 deficit projection of \$3.4 million

FY 2006 – FY 2009 General Fund Forecast

BASELINE GENERAL FUND FORECAST *After Balancing FY 2005 10.3 M Deficit*



FY 2006 & FY 2007 Biennial Budget Structural Deficit Plan

- The City needs a long-term plan to address its structural deficit
- One-time revenue cannot fund recurring costs
- We have limited new revenue opportunities

FY 2006 General Fund Reduction Plan to Balance \$7.5 million Deficit

- ▶ **\$6.2 million included in FY 2006 Reduction Plan**
 - ▶ \$2.7 M in Public Safety
 - ▶ \$1.3 M in Other Programs
 - ▶ \$1.2 M in mandatory employee one day/month closure
 - ▶ \$1.0 M in savings from reorganization efforts
- ▶ **\$1.3 M in additional cuts needed due to increased PERS rates (non Public Safety)**

Non-General Fund Deficits

Non General Fund Operating Funds **MUST** Balance.

- **FY 2006 projected deficit of \$3.5 M**
 - Measure B facing FY 2005 deficit of \$2M
 - Library Tax fund being updated. FY 2006 projection includes FY 2003 reduction of \$1.3M

Budget Process Timeline

October 2004	Priority Setting Workshops (2) Held
December 7, 2004	FY 2005 1 st Quarter Update
January 2005	Priority Setting Workshop – update priorities
February 2005	FY 2005 Mid-Year Budget Update
March 2005	Special Budget Workshop
May 10, 2004	Presentation of City Manager's Proposed FY 2006 & FY 2007 Biennial Budget
May 2005	Public Hearing #1
June 2005	Public Hearing #2
June 28, 2005	Budget Adoption