



CITY OF
HAYWARD
HEART OF THE BAY

DEPARTMENT OF FINANCE

Council Budget and Finance Committee Meeting

Date: October 27, 2010
Time: 4:00 pm - 6:00 pm
Room: 4B, City Hall
777 B Street
Hayward, CA 94541

AGENDA

Public Comments: (Note: For matters not otherwise listed on the agenda. The Committee welcomes your comments under this section, but is prohibited by state law from discussing items not listed on this agenda. Your item will be taken under consideration and referred to staff.)

1. FY 2010 General Fund Year-End Unaudited Financial Results
2. Community Survey Discussion
3. General Fund Ten-Year Financial Planning
4. Next Meeting Date: Special - December 1, 2010 at 6:00pm-8:00pm

Distribution:

Mayor and City Council	Development Services Director	Maintenance Services Director
City Manager	Fire Chief	Accounting Manager
City Attorney	Human Resources Director	Budget Administrator
City Clerk	Library Director	Daily Review
Assistant City Manager	Police Chief	Interested Parties
Director of Finance	Public Works Director	Post

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested persons must request accommodations at least 48 hours in advance of the meeting by contacting the Assistant City Manager at (510) 583-4300 or TDD (510) 247-3340.



CITY OF
HAYWARD
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DATE: October 27, 2010
TO: Budget and Finance Committee
FROM: Director of Finance
SUBJECT: FY 2010 General Fund Year-End Unaudited Financial Results

RECOMMENDATION

That the Committee reviews and comments on the FY 2010 General Fund year-end unaudited financial results.

SUMMARY

This report provides an overview of FY 2010 General Fund year-end unaudited revenues, expenditures, and fund transfers. The FY 2010 General Fund unaudited results show positive growth in revenue, combined with operational savings, ending the year with a \$4.1 million increase to fund balance. Staff recommends that this increase to fund balance be designated to restore reserves and fund the citywide enterprise resource planning (ERP) project.

DISCUSSION

General Fund Resources, which include revenues and transfers in, totaled \$121.7 million (Attachment I, page 1; and Attachment Ia). This is an improvement over the end-of-year estimate of approximately 4% or \$4.6 million. Below is a discussion of revenues and fund transfers into the General Fund.

General Fund Revenue - Revenue for the year ended at \$109.2 million, which was approximately 5% or \$5.3 million better than estimated. The last quarter of the year showed improvement over the end-of-year estimates, in Sales Tax (\$1.6 million), Charges for Services (\$1.5 million), and Utility Users' Tax (\$789,000). These major revenues, combined with increases in other revenue sources, resulted in a positive variance from both the original Adopted Budget and the end-of-year estimate presented at mid-year. An analysis of the City's major revenue sources is described below.

Property Tax - Property Tax revenue remains the City's single largest revenue source at approximately 34% of total FY 2010 General Fund revenues. As reliable as it has been, FY 2010 experienced an approximately 8.4% or \$3.4 million decline from FY 2009. The decline was the result of a reduction in the City's net assessed value of approximately 8.1% (\$16,167,273,218 vs.

\$14,863,301,237), combined with reductions resulting from property owner requests for reassessments, and reductions in assessed value from sales of properties due to the economic recession. Comparing the end-of-year estimate to unaudited results, Property Tax revenue came in slightly above target, ending \$125,466 better than the end-of-year estimate.

FY 2009 Actual:	\$40.7 million
FY 2010 Adopted Budget:	\$37.2 million
FY 2010 End-of-year Estimate:	\$37.2 million
FY 2010 Unaudited Actual:	\$37.3 million
FY 2011 Adopted Budget:	\$36.3 million

Sales Tax - Sales Tax revenue remains the second largest revenue source at approximately 21% of total FY 2010 General Fund revenues. Difficult economic times during recent years have been reflected as an approximately 20% or \$5.9 million drop in this revenue stream from a high of \$28.9 million in FY 2007 to a low of \$23 million in FY 2010. Sales Tax revenue came in above target by 7% or \$1.6 million better than the end-of-year estimate.

FY 2009 Actual:	\$25.6 million
FY 2010 Adopted Budget:	\$24.0 million
FY 2010 End-of-year Estimate:	\$21.4 million
FY 2010 Unaudited Actual:	\$23.0 million
FY 2011 Adopted Budget:	\$22.7 million

In FY 2010, the City experienced significant reductions to the monthly advance amounts submitted from the State and therefore made mid-year adjustments to the total revenue expected for the fiscal year. Sales Tax revenue estimates were declining during the first half of the year. In fact, the fourth quarter of CY 2009 was one of the worst quarters in many years. Sales improved the following quarter, which enabled the end-of-year Sales Tax revenue to come in better than expected. The addition of Costco in November 2009 also lessened the decline in Sales Tax revenue. The difference between end-of-year estimate and actual revenue is attributable to 1) improved sales in the area of miscellaneous vehicles, department stores, and the new Costco (\$1 million); and 2) implementation of an auditor recommended accounting change, which recorded an additional fifteen days of Sales Tax in FY 2010 (\$600,000).

Utility Users' Tax - Utility Users' Tax is the third largest revenue source, at approximately 10% of total FY 2010 General Fund revenues. This tax was approved by voters in May 2009 and went into effect in October 2009. Utility Users' Tax came in above target by 8% or \$789,472 more than the end-of-year estimate.

FY 2009 Actual:	\$ 0.0 million
FY 2010 Adopted Budget:	\$10.0 million
FY 2010 End-of-year Estimate:	\$10.0 million
FY 2010 Unaudited Actual:	\$10.8 million
FY 2011 Adopted Budget:	\$13.8 million

FY 2010 was the first year the City received nine months of utility users' tax revenue. Staff's original conservative estimate was based on reliable models created using the historical experience of a wide variety of municipalities across California.

Franchise Fees - Franchise Fee revenue remains somewhat steady at approximately \$8.6 million, or approximately 8% of total General Fund revenues. Unaudited year-end results were approximately 4% or \$386,352 less than the end-of-year estimate. The lower-than-estimated results were primarily a factor of reduced water sales due to climatic changes, water conservation, and economic conditions. Additionally, PG&E revenues came in lower than anticipated due to reduced usage.

FY 2009 Actual:	\$8.8 million
FY 2010 Adopted Budget:	\$9.1 million
FY 2010 End-of-year Estimate:	\$9.0 million
FY 2010 Unaudited Actual:	\$8.6 million
FY 2011 Adopted Budget:	\$9.1 million

Other Taxes - Other taxes totaled \$9.1 million in FY 2010. Included in this category are Real Property Transfer Tax (\$3.8 million), Business License Tax (\$2.3 million), Emergency Services Facilities Tax (\$1.9 million), and Transient Occupancy Tax (\$1.1 million). Overall, this category came in on target from the end-of-year estimate.

FY 2009 Actual:	\$9.5 million
FY 2010 Adopted Budget:	\$8.6 million
FY 2010 End-of-year Estimate:	\$9.1 million
FY 2010 Unaudited Actual:	\$9.1 million
FY 2011 Adopted Budget:	\$9.4 million

Charges for Service - Charges for Service totaled \$8.4 million in FY 2010. Included in this category are Construction Related revenues (\$3.9 million), Fees and Service Charges (\$2.7 million), and Licenses and Permits (\$1.8 million). Unaudited year-end results were approximately 22% or \$1,481,834 more than the end-of-year estimate. These revenue categories are discussed in more detail below.

Construction Related revenue totaled \$3.9 million in FY 2010, which was approximately 26% or \$796,821 more than the end-of-year estimate. The increase was due to 1) higher than expected volume from commercial tenant improvements, and 2) full implementation of the Council adopted full cost recovery policy.

FY 2009 Actual:	\$3.4 million
FY 2010 Adopted Budget:	\$2.7 million
FY 2010 End-of-year Estimate:	\$3.1 million
FY 2010 Unaudited Actual:	\$3.9 million
FY 2011 Adopted Budget:	\$3.1 million

Fees and Service Charges totaled \$2.7 million, which was approximately 24% or \$531,766 more than the end-of-year estimate. Fire Department fees showed the largest positive variance with a \$345,290 increase as compared to the end-of-year estimate. The Fire Department fee revenue increase was due largely to an increase in new home tract construction, tenant improvements, newly developed operational permits, and the full implementation of the Council adopted full cost recovery policy.

FY 2009 Actual:	\$2.6 million
FY 2010 Adopted Budget:	\$2.4 million
FY 2010 End-of-year Estimate:	\$2.2 million
FY 2010 Unaudited Actual:	\$2.7 million
FY 2011 Adopted Budget:	\$2.3 million

Licenses and Permits totaled \$1.8 million in FY 2010, which was approximately 10% or \$153,247 more than the end-of-year estimate. The positive variance was the result of higher than expected police licenses and permits, increases to various department licenses and permit revenue, offset by a decrease in Fire department licenses and permits.

FY 2009 Actual:	\$1.6 million
FY 2010 Adopted Budget:	\$1.6 million
FY 2010 End-of-year Estimate:	\$1.6 million
FY 2010 Unaudited Actual:	\$1.8 million
FY 2011 Adopted Budget:	\$1.8 million

Fines and Forfeitures, Interest and Rents- Fines and Forfeitures, Interest and Rents totaled \$2.4 million in FY 2010, which was approximately 20% or \$396,165 more than the end-of-year estimate. The majority of the variance (\$303,085) was related to increases in fines for parking citations and photo red light violations. The citations from the photo red light program were budgeted at \$529,000 and totaled \$631,000 for FY 2010. Additionally, miscellaneous interest revenue ended the year higher than expected due to the interest on the Redevelopment Agency loan repayment to the General Fund (\$103,281).

FY 2009 Actual:	\$2.5 million
FY 2010 Adopted Budget:	\$1.7 million
FY 2010 End-of-year Estimate:	\$2.0 million
FY 2010 Unaudited Actual:	\$2.4 million
FY 2011 Adopted Budget:	\$3.0 million

Other Revenue- Other revenue totaled \$4.4 million in FY 2010, which was approximately 26% or \$907,532 more than the end-of-year estimate. The majority of the positive variance was related to revenue recognition for planning projects completed in prior years (\$449,907), reimbursement of expenses from Fairview Fire Protection District (\$210,403), and reimbursement for damages to City traffic signals and streetlights (\$94,081).

FY 2009 Actual:	\$6.1 million
FY 2010 Adopted Budget:	\$3.5 million
FY 2010 End-of-year Estimate:	\$3.5 million
FY 2010 Unaudited Actual:	\$4.4 million
FY 2011 Adopted Budget:	\$3.8 million

Transfers In From Other Funds - Transfers into the General Fund were approximately 5% or \$665,336 less than the end-of-year estimate, due to the accounting treatment of the Redevelopment Agency loan repayment to the General Fund. For the budget presentation, the \$800,000 repayment to the General Fund is included as a fund transfer, but for Accounting purposes (GAAP purposes), at the year-end, the principal part of the \$800,000 loan payment is recorded on the balance sheet as a reduction of a loan payable. After accounting for this change, fund transfers ended the year slightly less than the end-of-year estimate.

The following one-time transfers are included in FY 2010:

- \$6.1 million one-time transfer into the General Fund from the Housing Fund.
- \$1.0 million gas-tax fund transfer into the General Fund due to delayed payments from the State during FY 2009.

FY 2009 Actual:	\$13.5 million
FY 2010 Adopted Budget:	\$12.3 million
FY 2010 End-of-year Estimate:	\$13.1 million
FY 2010 Unaudited Actual:	\$12.4 million
FY 2011 Adopted Budget:	\$ 7.7 million

General Fund Outlays, which include expenditures and transfers out, totaled \$117.6 million, a savings over the end-of-year estimate of approximately 3% or \$3.2 million (Attachment I, page 2; Attachment Ib). Below is a discussion of expenditures and fund transfers out of the General Fund.

General Fund Expenditures - Operations savings were achieved through careful management of overtime, greater focus on properly charging staff time to projects, and savings in the area of supplies and services.

Net Staffing Expense - As with all service organizations, net staffing expense is the largest expenditure of the General Fund, at approximately 84% of total expense. FY 2010 ended the year with approximately 1% or \$1.2 million savings in staffing expense. The savings were achieved by careful management of overtime in the Police and Fire departments (a savings of \$801,033), greater than estimated projects, which removed staff costs from the General Fund (an additional credit of \$314,223), along with \$96,592 in vacancy savings.

	Total Employee			Projects
	Services	Salary & Benefits	Overtime	Chg/(Cr)
FY 2009 Actual:	\$88.2 m	\$88.4 m	\$4.9 m	(\$5.1 m)
FY 2010 Adopted Budget:	\$88.9 m	\$88.2 m	\$5.4 m	(\$4.7 m)
FY 2010 End-of-year Estimate:	\$90.3 m	\$88.9 m	\$5.8 m	(\$4.4 m)
FY 2010 Unaudited Actual:	\$89.1 m	\$88.8 m	\$5.0 m	(\$4.7 m)
FY 2011 Adopted Budget:	\$95.5 m	\$95.4 m	\$5.0 m	(\$4.9 m)

Net Operating Expenses - Operating expense includes maintenance and utility, supplies and services, internal service fees, and capital expense. Net operating expense represents 16% of total General Fund expenditures. FY 2010 ended the year with an approximately 11% or \$2.0 million savings in operating expense. The savings was achieved by careful management of department budgets. The Office of the City Clerk, Human Resources, and Public Works departments each report a significant portion of their budgets as savings. However, it should be noted that of the \$2 million in savings, \$256,170 was reserved through the use of purchase orders, and was carried forward for multi-year obligations into FY 2011 as additional appropriations, mainly in the category of services.

FY 2009 Actual:	\$18.7 million
FY 2010 Adopted Budget:	\$17.4 million
FY 2010 End-of-year Estimate:	\$19.4 million
FY 2010 Unaudited Actual:	\$17.3 million
FY 2011 Adopted Budget:	\$18.6 million

Transfers Out To Other Funds - Transfers out of the General Fund ended FY 2010 slightly more than the end-of-year estimate due to the funding of various equipment replacement reserves.

The following one-time transfers, totaling \$6.35 million are included in FY 2010:

- \$2.5 million one-time transfer out to set aside funds for an Enterprise Resource Planning (ERP) system.
- \$2.1 million one-time transfer out to fund retiree medical payments (effective FY 2011 this cost is reflected in each department's budget).
- \$1.0 million one-time transfer out to replenish reserves associated with risk management.
- \$500,000 one-time transfer out to set aside funds for various future equipment replacement reserves.
- \$250,000 transfer out to support Centennial Hall activities. Centennial Hall closed in October 2009.

FY 2009 Actual:	\$ 6.3 million
FY 2010 Adopted Budget:	\$ 7.1 million
FY 2010 End-of-year Estimate:	\$11.1 million
FY 2010 Unaudited Actual:	\$11.2 million
FY 2011 Adopted Budget:	\$ 5.6 million

FISCAL IMPACT

The preliminary FY 2010 unaudited year-end General Fund financial results show a net savings of \$4,085,902, which affects General Fund reserves as noted in the chart below:

General Fund - Reserve Summary				
<i>Reserved and Designated Fund Balance</i>				
<i>\$'s in 1,000's</i>	FY 2009 Actual	June 30, 2010 Estimated	Unaudited FY 2010	2009 vs Unaudited 2010 Difference
Reserved for:				
Encumbrances	974	776	256	(718)
Advances to other funds	9,841	9,223	9,144	(697)
Inventory	12	28	19	7
Prepaid expenses	1	-	-	(1)
Total Reserved Fund Balance	\$10,828	\$10,027	\$9,419	-\$1,409
Designated for:				
Economic Uncertainty	7,000	9,350	9,350	2,350
Liquidity	3,500	4,675	4,675	1,175
Hotel Conference Center	1,000	1,000	1,000	-
Retirement Reserve	522	522	522	-
Police Staffing	1,000	1,000	1,000	-
Contingencies	8,737	1,492	10,707	1,970
Total Designated Fund Balance	\$21,759	\$18,039	\$27,254	\$5,495
Total Reserved and Designated	\$32,587	\$28,066	\$36,673	\$4,086

The better than expected revenues of approximately \$4.6 million (Attachment I, page 1) combined with the expenditure savings of \$3.2 million (Attachment I, page 2), and the \$800,000 payment for the RDA loan, reflects an \$8.6 million swing from our end-of-year estimate. Staff is recommending that the savings be utilized to restore economic uncertainty and liquidity reserves in FY 2011 to an amount equal to 85% of the amount recommended in the City's reserve policy, which would be approximately \$2.8 million and \$175,000 respectively. Additionally, staff recommends committing

\$1.1 million to fund necessary equipment replacement needs for Police, Fire, Maintenance Services, and the citywide ERP system. These recommendations will be presented to the Council in February 2011 as part of the Mid-year Review.

PUBLIC CONTACT

None.

SCHEDULE

The next Budget and Finance Committee meeting is scheduled for December 1, 2010. The annual financial audit is currently underway and the City's Comprehensive Annual Financial Report (CAFR) should be available by the end of the calendar year.

Prepared by: Denise Blohm, Budget Administrator

Recommended by: Debra C. Auker, Director of Finance

Approved by:



Fran David, City Manager

Attachments:

- Attachment I: FY 2010 General Fund – Summary
- Attachment Ia: FY 2010 General Fund – Revenue
- Attachment Ib: FY 2010 General Fund – Expenditures

FY 2010 - General Fund - Summary
June 30, 2010 - Unaudited
100% of Year Complete

	FY 2010 Adopted Budget	FY 2010 EOY Estimate	FY 2010 Unaudited	<i>Difference</i> <i>EOY Est vs Unaudited</i>		June 2009 Actual	
RESOURCES							
<i>% of FY 2010 unaudited</i>							
Revenue							
34%	Property Tax	37,166,702	37,167,000	37,292,466	100%	125,466	40,699,344
21%	Sales Tax	23,991,000	21,400,000	22,964,430	107%	1,564,430	25,630,173
10%	Utility User's Tax (New Oct 2009)	10,000,000	10,000,000	10,789,472	108%	789,472	0
8%	Franchise Fees	9,146,500	8,987,000	8,600,648	96%	(386,352)	8,786,217
8%	Other Taxes	8,600,000	9,100,000	9,100,972	100%	972	9,538,645
8%	Charges for Service	6,787,540	6,887,000	8,368,834	122%	1,481,834	7,541,829
4%	Other Revenue	3,462,182	3,462,000	4,369,532	126%	907,532	6,111,351
5%	Intergovernmental	3,329,629	4,904,000	5,328,963	109%	424,963	4,854,403
2%	Fines & Forfeitures, Int & Rents	2,013,785	2,014,000	2,410,165	120%	396,165	2,521,389
100%	Total Revenue	104,497,338	103,921,000	109,225,482	105%	5,304,482	105,683,351
	Transfers in*	12,324,531	13,099,000	12,433,664	95%	(665,336)	13,520,309
	TOTAL RESOURCES	116,821,869	117,020,000	121,659,146	104%	4,639,146	119,203,660

Note: *Actual FY 2010 and 2009 transfers in treat the Redevelopment loan repayment differently than in the budget columns.

FY 2010 - General Fund - Summary
June 30, 2010 - Unaudited
100% of Year Complete

	FY 2010 Adopted Budget	FY 2010 EOY Estimate	FY 2010 Unaudited	Difference EOY Est vs Unaudited	June 2009 Actual
OUTLAYS					
Expenditures					
Employee Services					
83% Salary & Benefits	88,216,565	88,919,000	88,822,408	100% (96,592)	88,433,914
5% Overtime	5,377,472	5,759,000	4,957,967	86% (801,033)	4,887,554
-4% Chg/Credit from others	(4,656,582)	(4,397,000)	(4,711,223)	107% (314,223)	(5,115,947)
84% <i>Net Staffing Expense</i>	88,937,455	90,281,000	89,069,152	99% (1,211,848)	88,205,521
Operational Expense					
2% Maintenance & Utilities	2,356,969	2,357,000	2,056,183	87% (300,817)	2,088,815
6% Supplies & Services	5,931,192	7,422,000	6,040,751	81% (1,381,249)	7,809,624
9% Internal Service Fees	9,113,236	9,113,000	9,113,236	100% 236	8,432,806
0% Capital Expense	0	495,000	133,423	27% (361,577)	388,046
16% <i>Net Operational Expense</i>	17,401,397	19,387,000	17,343,593	89% (2,043,407)	18,719,291
100% Total Expense	106,338,852	109,668,000	106,412,745	97% (3,255,255)	106,924,812
Transfers out	7,100,733	7,101,000	7,189,499	101% 88,499	6,286,199
Transfers to reserves	0	3,971,000	3,971,000	100%	0
TOTAL OUTLAYS	113,439,585	120,740,000	117,573,244	97% (3,166,756)	113,211,011

Note: This summary schedule represents fund 100 only and will differ from the multi-fund General Fund presentation in the CAFR.

FY 2010 - General Fund - Revenue
June 30, 2010 - Unaudited
100% of Year Complete

		FY 2010 Adopted Budget	FY 2010 EOY Estimate	FY 2010 Unaudited	<i>Difference EOY Est vs Unaudited</i>	June 2009 Actual
<i>% of FY 2010 unaudited</i>						
Major Revenues						
	Property Tax	22,868,702	22,869,000	23,340,007	102% 471,007	29,438,622
	PT - Prop 1A Takeaway (FY 2010 Only)	3,600,000	3,600,000	3,592,595	100% (7,405)	-
	PT - VLF	10,698,000	10,698,000	10,359,864	97% (338,136)	11,260,722
34%	Total	37,166,702	37,167,000	37,292,466	100% 125,466	40,699,344
	Sales Tax	17,547,000	16,700,000	18,246,604	109% 1,546,604	18,700,976
	ST - Triple Flip	6,444,000	4,700,000	4,717,826	100% 17,826	6,929,197
21%	Total	23,991,000	21,400,000	22,964,430	107% 1,564,430	25,630,173
10%	Utility User Tax	10,000,000	10,000,000	10,789,472	108% 789,472	-
Franchise Fees						
	Waste Mgmt	4,100,000	3,700,000	3,706,582	100% 6,582	3,690,763
	Water	1,867,500	1,868,000	1,656,470	89% (211,530)	1,687,927
	Sewer	1,267,000	1,267,000	1,229,086	97% (37,914)	1,241,218
	PG&E	1,052,000	1,052,000	918,801	87% (133,199)	1,052,043
	Cable TV	860,000	1,100,000	1,089,709	99% (10,291)	1,114,266
8%	Total	9,146,500	8,987,000	8,600,648	96% (386,352)	8,786,217
Other Taxes						
	Real Prop Trsfr Tax	3,000,000	3,500,000	3,796,719	108% 296,719	3,852,507
	Business Tax	2,400,000	2,400,000	2,337,106	97% (62,894)	2,502,991
	Emergency Fac Tax	1,900,000	1,900,000	1,857,223	98% (42,777)	1,858,267
	Transient Occ Tax	1,300,000	1,300,000	1,109,924	85% (190,076)	1,324,880
8%	Total	8,600,000	9,100,000	9,100,972	100% 972	9,538,645
Other Revenue						
	Fairview Fire Prot Dist.	2,221,800	2,222,000	2,432,403	109% 210,403	2,161,933
	Worker's Compensation Salary Reimb	1,200,000	1,200,000	1,257,896	105% 57,896	1,212,568
	Project Related	-	-	449,907	N/A 449,907	326,354
	Land Transfer (One-Time)	-	-	0	N/A -	1,974,966
	Damage to City Property	30,000	-	94,081	N/A 94,081	18,925
	Other	10,382	40,000	135,245	338% 95,245	416,605
4%	Total	3,462,182	3,462,000	4,369,532	126% 907,532	6,111,351

FY 2010 - General Fund - Revenue
June 30, 2010 - Unaudited
100% of Year Complete

<i>% of FY 2010 unaudited</i>	FY 2010 Adopted Budget	FY 2010 EOY Estimate	FY 2010 Unaudited	<i>Difference EOY Est vs Unaudited</i>		June 2009 Actual
<u>Intergovernmental</u>						
Police Grants/Reimb	1,532,219	2,907,000	2,650,846	91%	(256,154)	1,875,935
Public Safety Sales Tax	669,000	569,000	544,114	96%	(24,886)	711,300
Vehicle License Fee (VLF)	500,000	284,000	457,126	161%	173,126	522,508
Fire County EMS Reimb	456,290	456,000	471,830	103%	15,830	458,077
State Mandate Reimb	-	150,000	150,359	100%	359	149,027
Fire Mutual Aid Reimb	-	354,000	449,997	127%	95,997	545,581
Library Grants	160,000	184,000	224,968	122%	40,968	311,488
ACTIA Study Reimb	-	-	160,000	N/A	160,000	0
Miscellaneous	12,120	-	219,723	N/A	219,723	280,487
5%	Total	3,329,629	4,904,000	109%	424,963	4,854,403
The following revenues are presented on the summary schedule as "Charges for Service"						
<u>Charges for Service</u>						
<u>Construction Related</u>						
Construction Permits	1,540,000	1,190,000	1,501,558	126%	311,558	1,515,907
Supplemental Improv Tax	264,000	574,000	679,217	118%	105,217	551,390
New Construction Insp	199,980	550,000	877,303	160%	327,303	477,348
Plan Checking Fees	744,500	745,000	797,743	107%	52,743	848,946
	Total	2,748,480	3,059,000	126%	796,821	3,393,591
<u>Fees & Service Charges</u>						
Fire Fees & Svc Charges	593,999	484,000	829,290	171%	345,290	694,278
Police Fees & Svc Charges	1,059,780	994,000	1,104,726	111%	110,726	1,062,310
Residential Rental Inspections	474,982	375,000	402,197	107%	27,197	393,969
Other Fees & Svc Charges	298,063	362,000	410,553	113%	48,553	446,475
	Total	2,426,824	2,215,000	124%	531,766	2,597,032
<u>License & Permits</u>						
Fire Licenses & Permits	1,326,983	1,327,000	1,234,451	93%	(92,549)	1,060,307
Police Licenses & Permits	239,953	240,000	306,210	128%	66,210	271,144
Other Licenses & Permits	45,300	46,000	225,586	490%	179,586	219,755
	Total	1,612,236	1,613,000	110%	153,247	1,551,206
8%	Subtotal	6,787,540	6,887,000	122%	1,481,834	7,541,829

FY 2010 - General Fund - Revenue
June 30, 2010 - Unaudited
100% of Year Complete

<i>% of FY 2010 unaudited</i>	FY 2010 Adopted Budget	FY 2010 EOY Estimate	FY 2010 Unaudited	<i>Difference EOY Est vs Unaudited</i>		June 2009 Actual
<i>The following revenues are presented on the summary schedule as "Fines & Forfeitures, Int & Rents"</i>						
Fines & Forfeitures, Int & Rents						
<u>Fines & Forfeitures</u>						
Vehicle Fines	300,000	300,000	356,034	119%	56,034	360,615
Parking Citations - In House	410,000	410,000	396,042	97%	(13,958)	442,914
Parking Citations - Dept Motor Veh	60,000	60,000	178,614	298%	118,614	94,231
Franchise Tax Board Pkg Tax Offset	74,000	74,000	46,417	63%	(27,583)	107,326
Police Photo Red Light	529,000	529,000	631,193	119%	102,193	234,196
Criminal Fines	180,000	180,000	265,718	148%	85,718	280,314
Library Fines	89,760	90,000	98,862	110%	8,862	107,703
Administrative Citations	100,000	100,000	73,205	73%	(26,795)	16,539
Total	1,742,760	1,743,000	2,046,085	117%	303,085	1,643,838
<u>Interest & Rents</u>						
Interest Earned	200,000	200,000	172,202	86%	(27,798)	401,359
Miscellaneous Interest Income	-	-	153,527	N/A	153,527	418,893
Vehicle Use Reimb	71,025	71,000	38,351	54%	(32,649)	57,299
Total	271,025	271,000	364,080	134%	93,080	877,551
2%	2,013,785	2,014,000	2,410,165	120%	396,165	2,521,389
100% Grand Total	104,497,338	103,921,000	109,225,482	105%	5,304,482	105,683,351

FY 2010 - General Fund - Expenditures
June 30, 2010 - Unaudited
100% of Year Complete

	FY 2010 Adopted Budget	FY 2010 Adjusted Budget	FY 2010 Unaudited	% of Adjusted budget	June 2009 Actual
<u>By Category</u>					
Salary & Benefits	88,216,565	89,182,109	88,822,408	100%	88,433,914
Overtime	5,377,472	5,759,283	4,957,967	86%	4,887,554
<u>Charge/(Credit) from others</u>	<u>(4,656,582)</u>	<u>(4,654,082)</u>	<u>(4,711,223)</u>	<u>101%</u>	<u>(5,115,947)</u>
82% <i>Net Staffing Expense</i>	88,937,455	90,287,310	89,069,152	99%	88,205,521
2% Maintenance & Utilities	2,356,969	2,272,637	2,056,183	90%	2,088,815
7% Supplies & Services	5,931,192	7,710,703	6,040,751	78%	7,809,624
8% Internal Service Fee	9,113,236	9,113,236	9,113,236	100%	8,432,806
0% <u>Capital Expense</u>	<u>0</u>	<u>186,938</u>	<u>133,423</u>	<u>71%</u>	<u>388,046</u>
18% <i>Net Operating Expense</i>	17,401,397	19,283,514	17,343,593	90%	18,719,291
Total Expenditure	106,338,852	109,570,824	106,412,745	97%	106,924,812
<u>By Department</u>					
1% City Attorney	1,104,002	1,156,470	1,081,057	93%	1,321,262
1% City Clerk	764,580	765,105	594,263	78%	689,553
3% City Manager	2,622,354	2,812,281	2,504,270	89%	1,326,663
5% Development Services	5,110,395	5,316,227	4,973,422	94%	5,284,891
3% Finance	2,846,833	2,900,708	2,852,208	98%	2,783,889
26% Fire	28,078,796	28,431,323	27,964,102	98%	27,911,093
1% Human Resources	1,136,094	1,309,699	1,143,581	87%	3,025,530
5% Library & Neighborhood Svc	4,992,377	5,232,979	4,851,298	93%	5,964,291
0% Non Departmental	0	0	0	0%	4,955
3% Maintenance Services	3,825,918	3,830,303	3,681,097	96%	3,639,131
0% Mayor and Council	474,484	477,998	447,316	94%	589,547
50% Police	52,379,877	54,288,410	53,672,970	99%	51,547,150
3% Public Works	3,003,142	3,003,403	2,603,243	87%	2,766,466
0% Technology Services	0	45,918	43,918	96%	70,391
Total Expenditure	106,338,852	109,570,824	106,412,745	97%	106,924,812

FY 2010 - General Fund - Expenditures
June 30, 2010 - Unaudited
100% of Year Complete

	FY 2010 Adopted Budget	FY 2010 Adjusted Budget	FY 2010 Unaudited	% of Adjusted budget	June 2009 Actual
<u>City Attorney</u>					
Salary & Benefits	969,895	969,895	904,424	93%	972,589
<u>Charge/(Credit) from others</u>	0	0	6,221	N/A	0
<i>Net Staffing Expense</i>	969,895	969,895	910,645	94%	972,589
Maintenance & Utilities	1,500	1,500	142	9%	10
Supplies & Services	69,800	122,268	107,463	88%	294,423
Internal Service Fee	62,807	62,807	62,807	100%	54,240
<u>Capital Expense</u>	0	0	0	N/A	0
<i>Net Operating Expense</i>	134,107	186,575	170,412	91%	348,673
Total	1,104,002	1,156,470	1,081,057	93%	1,321,262
<u>City Clerk</u>					
Salary & Benefits	354,731	354,731	357,325	101%	383,902
<u>Charge/(Credit) from others</u>	0	0	371	N/A	0
<i>Net Staffing Expense</i>	354,731	354,731	357,696	101%	383,902
Maintenance & Utilities	840	840	649	77%	412
Supplies & Services	335,005	335,530	161,914	48%	243,271
Internal Service Fee	74,004	74,004	74,004	100%	61,968
<u>Capital Expense</u>	0	0	0	N/A	0
<i>Net Operating Expense</i>	409,849	410,374	236,567	58%	305,651
Total	764,580	765,105	594,263	78%	689,553
<u>City Manager</u>					
Salary & Benefits	1,750,375	1,750,375	1,904,994	109%	945,579
<u>Charge/(Credit) from others</u>	(220,708)	(220,708)	(249,165)	113%	11,844
<i>Net Staffing Expense</i>	1,529,667	1,529,667	1,655,829	108%	957,423
Maintenance & Utilities	5,400	10,000	7,562	76%	608
Supplies & Services	900,019	1,042,117	653,611	63%	300,803
Internal Service Fee	187,268	187,268	187,268	100%	67,829
<u>Capital Expense</u>	0	43,229	0	0%	0
<i>Net Operating Expense</i>	1,092,687	1,282,614	848,441	66%	369,240
Total	2,622,354	2,812,281	2,504,270	89%	1,326,663

FY 2010 - General Fund - Expenditures
June 30, 2010 - Unaudited
100% of Year Complete

	FY 2010 Adopted Budget	FY 2010 Adjusted Budget	FY 2010 Unaudited	% of Adjusted budget	June 2009 Actual
<u>Development Services</u>					
Salary & Benefits	4,520,359	4,520,359	4,315,473	95%	4,581,228
<u>Charge/(Credit) from others</u>	(405,434)	(405,434)	(343,010)	85%	(417,760)
<i>Net Staffing Expense</i>	4,114,925	4,114,925	3,972,463	97%	4,163,468
Maintenance & Utilities	13,195	14,695	12,355	84%	12,466
Supplies & Services	232,189	404,851	226,386	56%	435,572
Internal Service Fee	750,086	750,086	750,086	100%	673,385
<u>Capital Expense</u>	0	31,670	12,132	38%	0
<i>Net Operating Expense</i>	995,470	1,201,302	1,000,959	83%	1,121,423
Total	5,110,395	5,316,227	4,973,422	94%	5,284,891
<u>Finance</u>					
Salary & Benefits	2,175,236	2,175,236	2,069,103	95%	2,149,494
<u>Charge/(Credit) from others</u>	(173,329)	(173,329)	(233,115)	134%	(172,540)
<i>Net Staffing Expense</i>	2,001,907	2,001,907	1,835,988	92%	1,976,954
Maintenance & Utilities	44,797	2,797	33,975	1215%	56,445
Supplies & Services	471,398	567,273	653,514	115%	456,470
Internal Service Fee	328,731	328,731	328,731	100%	294,020
<u>Capital Expense</u>	0	0	0	N/A	0
<i>Net Operating Expense</i>	844,926	898,801	1,016,220	113%	806,935
Total	2,846,833	2,900,708	2,852,208	98%	2,783,889
<u>Fire</u>					
Salary & Benefits	25,785,452	25,835,452	25,622,880	99%	25,904,649
<u>Charge/(Credit) from others</u>	48,000	48,000	33,725	70%	60,467
<i>Net Staffing Expense</i>	25,833,452	25,883,452	25,656,605	99%	25,965,116
Maintenance & Utilities	99,999	103,754	106,286	102%	78,934
Supplies & Services	540,862	839,634	587,475	70%	406,525
Internal Service Fee	1,604,483	1,604,483	1,604,483	100%	1,450,287
<u>Capital Expense</u>	0	0	9,253	N/A	10,231
<i>Net Operating Expense</i>	2,245,344	2,547,871	2,307,497	91%	1,945,977
Total	28,078,796	28,431,323	27,964,102	98%	27,911,093

FY 2010 - General Fund - Expenditures
June 30, 2010 - Unaudited
100% of Year Complete

	FY 2010 Adopted Budget	FY 2010 Adjusted Budget	FY 2010 Unaudited	% of Adjusted budget	June 2009 Actual
<u>Human Resources</u>					
Salary & Benefits	766,077	766,077	648,649	85%	636,259
<u>Charge/(Credit) from others</u>	0	0	45,130	N/A	59,901
Net Staffing Expense	766,077	766,077	693,779	91%	696,160
Maintenance & Utilities	2,380	2,380	859	36%	1,385
Supplies & Services	279,318	452,923	360,624	80%	2,248,963
Internal Service Fee	88,319	88,319	88,319	100%	79,022
<u>Capital Expense</u>	0	0	0	N/A	0
Net Operating Expense	370,017	543,622	449,802	83%	2,329,370
Total	1,136,094	1,309,699	1,143,581	87%	3,025,530
<u>Library & Community Services</u>					
Salary & Benefits	3,156,015	3,156,015	2,887,312	91%	3,978,209
<u>Charge/(Credit) from others</u>	50,223	52,723	52,933	100%	(391,799)
Net Staffing Expense	3,206,238	3,208,738	2,940,245	92%	3,586,410
Maintenance & Utilities	196,047	177,927	175,625	99%	182,428
Supplies & Services	929,617	1,172,182	1,061,297	91%	1,370,781
Internal Service Fee	660,475	660,475	660,475	100%	741,757
<u>Capital Expense</u>	0	13,657	13,656	100%	82,915
Net Operating Expense	1,786,139	2,024,241	1,911,053	94%	2,377,881
Total	4,992,377	5,232,979	4,851,298	93%	5,964,291
<u>Maintenance Services</u>					
Salary & Benefits	3,132,205	3,132,205	2,988,916	95%	3,053,135
<u>Charge/(Credit) from others</u>	(719,602)	(719,602)	(674,635)	94%	(800,420)
Net Staffing Expense	2,412,603	2,412,603	2,314,281	96%	2,252,715
Maintenance & Utilities	262,006	265,880	246,081	93%	226,227
Supplies & Services	240,846	241,357	210,272	87%	201,928
Internal Service Fee	910,463	910,463	910,463	100%	958,261
<u>Capital Expense</u>	0	0	0	N/A	0
Net Operating Expense	1,413,315	1,417,700	1,366,816	96%	1,386,416
Total	3,825,918	3,830,303	3,681,097	96%	3,639,131

FY 2010 - General Fund - Expenditures
June 30, 2010 - Unaudited
100% of Year Complete

	FY 2010 Adopted Budget	FY 2010 Adjusted Budget	FY 2010 Unaudited	% of Adjusted budget	June 2009 Actual
<u>Mayor & Council</u>					
Salary & Benefits	380,548	380,548	379,528	100%	384,404
<u>Charge/(Credit) from others</u>	0	0	0	N/A	569
Net Staffing Expense	380,548	380,548	379,528	100%	384,973
Maintenance & Utilities	0	0	0	N/A	0
Supplies & Services	58,628	62,142	32,480	52%	174,883
Internal Service Fee	35,308	35,308	35,308	100%	29,691
<u>Capital Expense</u>	0	0	0	N/A	0
Net Operating Expense	93,936	97,450	67,788	70%	204,574
Total	474,484	477,998	447,316	94%	589,547
<u>Non-Departmental</u>					
Salary & Benefits	0	0	0		0
<u>Charge/(Credit) from others</u>	0	0	0		0
Net Staffing Expense	0	0	0		0
Maintenance & Utilities	0	0	0		0
Supplies & Services	0	0	0		4,955
Internal Service Fee	0	0	0		0
<u>Capital Expense</u>	0	0	0		0
Net Operating Expense	0	0	0		4,955
Total	0	0	0		4,955
<u>Police</u>					
Salary & Benefits	46,143,072	47,440,427	47,477,114	100%	45,883,189
<u>Charge/(Credit) from others</u>	0	0	26,328	N/A	(4,120)
Net Staffing Expense	46,143,072	47,440,427	47,503,442	100%	45,879,069
Maintenance & Utilities	630,069	590,683	361,886	61%	388,701
Supplies & Services	1,797,353	2,393,453	1,943,795	81%	1,630,389
Internal Service Fee	3,809,383	3,809,383	3,809,383	100%	3,444,073
<u>Capital Expense</u>	0	54,464	54,464	100%	204,918
Net Operating Expense	6,236,805	6,847,983	6,169,528	90%	5,668,081
Total	52,379,877	54,288,410	53,672,970	99%	51,547,150

FY 2010 - General Fund - Expenditures
June 30, 2010 - Unaudited
100% of Year Complete

	FY 2010 Adopted Budget	FY 2010 Adjusted Budget	FY 2010 Unaudited	% of Adjusted budget	June 2009 Actual
<u>Public Works</u>					
Salary & Benefits	4,460,072	4,460,072	4,224,657	95%	4,479,970
<u>Charge/(Credit) from others</u>	(3,235,732)	(3,235,732)	(3,376,006)	104%	(3,462,089)
<i>Net Staffing Expense</i>	1,224,340	1,224,340	848,651	69%	1,017,881
Maintenance & Utilities	1,100,736	1,102,181	1,110,763	101%	1,141,199
Supplies & Services	76,157	74,973	41,920	56%	29,113
Internal Service Fee	601,909	601,909	601,909	100%	578,273
<u>Capital Expense</u>	0	0	0	N/A	0
<i>Net Operating Expense</i>	1,778,802	1,779,063	1,754,592	99%	1,748,585
Total	3,003,142	3,003,403	2,603,243	87%	2,766,466
<u>Technology Services</u> - Note: Budget is carried forward from 2008 for CRM project.					
Salary & Benefits	0	0	0	N/A	(31,139)
<u>Charge/(Credit) from others</u>	0	0	0	N/A	0
<i>Net Staffing Expense</i>	0	0	0	N/A	(31,139)
Maintenance & Utilities			0	N/A	0
Supplies & Services	0	2,000	0	N/A	11,548
Internal Service Fee	0	0	0	N/A	0
<u>Capital Expense</u>	0	43,918	43,918	100%	89,982
<i>Net Operating Expense</i>	0	45,918	43,918	96%	101,530
Total	0	45,918	43,918	96%	70,391



CITY OF
HAYWARD
HEART OF THE BAY

DATE: October 27, 2010
TO: Budget and Finance Committee
FROM: Director of Finance
Human Resources Director
SUBJECT: General Fund Ten-Year Financial Planning

RECOMMENDATION

That the Committee reviews and comments on the General Fund Ten-Year Financial Plan.

SUMMARY

The General Fund Ten-Year Financial Plan confirms a structural deficit due to slow economic recovery and increased costs in employee services, additional liabilities, and unfunded future replacement needs for fleet, facilities, public safety, and technology. This report provides an overview of steps the City has taken in the past three years to cut costs and provides an overview of the ten-year financial planning process.

DISCUSSION

The City of Hayward has a long history of responsible fiscal management. As part of the Fiscal Stability Initiative, the City began ten-year financial planning. Without implementing a long-range planning process and implementing spending cuts over the last three years, the City would have depleted its General Fund reserves.

To avoid this unacceptable alternative, the organization has pulled together to meet the challenge. City employees have agreed to cut salary expenses and other compensation for three consecutive years, resulting in approximately \$11 million in savings through FY 2011. Employee groups have also made savings commitments for FY 2012 for up to 5% of the total payroll expense. These concessions were in addition to a commitment by employee groups to lower future salary adjustments, which collectively saved the City \$14 million dollars over a four year period.

To anticipate and attempt to stay ahead of severe declines in revenues, the City has taken multiple cost cutting measures including position reductions, restriction on expenditures, selective hiring, re-organization, elimination of non-minimum staffing required overtime, and inter-fund transfers into the General Fund. Despite the enormous efforts by staff and savings commitments from all employees and elected officials, this short-term approach is not enough to address and resolve the projected future structural deficit.

It was recognized during the last budget process that even if financial recovery occurred, it would not be enough, and more permanent, long-term solutions for the City's financial sustainability would need to be implemented. It is now time to review the outlook, and strategize opportunities and options for the City to develop sustainable solutions to ensure long-term financial health.

General Fund Ten-Year Financial Plan - A Revenue and Expenditure Team, consisting of City executive staff from various departments has researched and compiled data from numerous sources over the last few months. This work has resulted in initial updates and refinements to the General Fund Ten-Year Financial Plan. Assumptions have been made for revenue, expenditures, and fund transfers. The model was built with the ability to illustrate the cost of three different staffing scenarios, which include (1) Existing Staffing Model - no additional staff added; (2) Conservative Staffing Model - supports modest addition of staff to support desired City initiatives, and (3) Best Practices Model - provides for adequate staffing to support a "best in class" organization.

Resource Summary - As part of this process, the Finance Department, with the contribution of the Revenue Team, has conducted an extensive revenue review to obtain an accurate picture of past and present revenue, and developed a revenue forecast based on up-to-date information. Although most economists agree that an economic recovery is underway, it is anticipated that the rate of economic growth will be either slow or modest, barring the possibility of a double-dip recession. The UCLA Anderson Forecast (one of the leading independent economic forecasters) calls for "very sluggish growth" for the foreseeable future in the United States, particularly in California as the state attempts to recover from 1.3 million jobs lost during the recession. Additional major assumptions include:

1. The City's forecast takes a realistic approach based on slow economic growth for FY 2012, 2013, and 2014; followed by an estimated economic recovery with modest growth in FY 2015 and FY 2016, which may be sooner than some economists predict. A contraction of revenues is expected in FY 2017 and less than 1.5% growth through FY 2021.
2. Property tax revenue is projected to decline by 2% this year, and then grow by less than 2% in FY 2012 and FY 2013. The Russell City Energy Center is expected to be on line in FY 2014 and therefore a 5% increase in property tax revenue is projected. The expectation of some economic recovery in 2015 and 2016 supports 3% growth and then 2% is projected from FY 2017 through FY 2021.
3. Sales tax revenue is projected to grow slowly and have up and down trends to mirror customer spending during a time of high unemployment. The average growth over the 10 year plan is about 2%, except for the decline of 2.3% in FY 2017 due to the anticipated loss of all new car dealers.
4. The new utility users' tax is expected to generate \$14.7 million in FY 2012, and grow between 1% and 3% over the ten year period, with a sunset in FY 2019¹.

¹ This is based on the assumption that none of the attempts at the State and federal levels to erode local government's ability to apply and collect a UUT are successful. These efforts are made each year and grow in strength each time they are attempted.

Outlay Summary – The Expenditure Team conducted extensive research related to major anticipated cost increases, as well as additional liabilities and unfunded needs throughout the City. Expenditures for the General Fund consist largely of employee services, which comprise eighty-four percent of expense. The majority of expenditure increases are related to wages, retirement and health care costs, as well as unfunded liabilities. Additionally, the minimum annual fleet replacement cost is included in the expenditure estimate (estimated at \$3.1 million per year). This assumes an annual cash purchase of vehicles as opposed to the lease financing method the City has used in the last several years.

Operating Expense Assumptions

1. Employee Contracts - For modeling purposes, a two percent consumer price index (CPI) was applied to our current employee agreements.
2. Retirement Expense – Future pension costs are escalating due to 1) market losses experienced by CalPERS, 2) new actuarial studies that change demographic assumptions, and 3) reduction in the City's payroll. Rates are estimated to significantly increase in FY 2012 and 2013, and then increase modestly thereafter. FY 2012 rates reflect preliminary estimates received from CalPERS this month. Staff is anticipating receiving actual FY 2012 rates from CalPERS in December 2010.
3. Health Care Expense - Staff expects double digit increases for medical premiums well into the future, due to the increasing costs of medical care and anticipated impact from the Health Care Reform Bill.

Additional Liabilities

1. OPEB Liability - The thirty year unfunded Other Post-Employment Benefits (OPEB) liability for retiree healthcare is estimate at \$62.4 million. Best practices and projections from the City's actuarial study for retiree medical costs indicate that the City should contribute an annual amount of nine percent of payroll to fund this liability. This is in addition to the contractual obligation of a one percent contribution by the City for the firefighters and police (safety) employees to the OPEB Trust. As of June 30, 2010, the OPEB Trust account balance was \$220,414. The estimated expense for the recommended annual contribution is \$5.2 million in FY 2012, increasing to \$6.2 million by FY 2021.
2. Worker's Compensation Liability - The unfunded liability for the City's Worker's Compensation Fund is estimated at \$3.1 million. Actuarial recommendations indicate the reserve balance should be 70% of the estimated liability. In order to build the current reserve balance to this standard, an annual contribution of \$310,000 is recommended over the ten year period.

Critical Unfunded Needs

1. Fire Station No. 7 – Replacement of the temporary facility continues to be a top priority as a critical infrastructure liability for the City. The estimated expense for this facility is \$6.7 million, which would be financed over thirty years.

2. ERP - The selection of an Enterprise Resource Planning (ERP) system is in progress. Continuation of this project is vital to support the administrative infrastructure for prudent City management. The total cost for this project is estimated at \$3.5 million, of which \$2.5 million is currently reserved. One million in additional dollars are needed to fully fund this project.

Unfunded Capital Needs

In addition to the operational expenditures, additional liabilities, and critical unfunded needs, there is a laundry list of unfunded capital needs throughout the City, in which the General Fund portion is estimated at \$10.5 million over a ten-year period. This does not include the \$100-\$150 million necessary for major facility replacements. Unfunded capital needs include:

1. Fleet - The City vehicle fleet has been underfunded and therefore regular replacements of vehicles have been delayed to the very minimum requirements over the past several years. Due to the lack of funding, the absolute necessities that are replaced each year have been financed using long-term capital leases adding a financing component to the overall costs. The ten-year plan model assumes that the City will pay cash for the minimum replacements identified, which is approximately \$3.1 million dollars per year over the ten-year horizon. The vehicle replacements that are not included as necessary outlays total approximately \$1.5 million and are included in the unfunded needs list with the cost spread over a five-year funding period.
2. Facility Maintenance - The ten-year plan model includes funding for minimum maintenance requirements such as roof, flooring, paint and heating/cooling system replacements. There are several other facilities needs totaling over \$3 million spread over the ten-year period that are not funded. Included in this list of unfunded needs are many improvements to public safety facilities and employee safety improvements.
3. Public Safety - The public safety unfunded needs total over \$3.2 million over the ten-year period. Included in this list of unfunded needs are the replacement of fire breathing apparatus, all police and fire interoperability emergency radio equipment, and related infrastructure.
4. Technology Services - The ten-year plan model includes funding for minimum upgrades to desktop computers and software. There are several other technology needs in addition to the citywide ERP system, totaling over \$4.1 million, for General Fund only. Included in this list of unfunded needs are replacement of public safety mobile data units, network systems and infrastructure, GIS improvements, wireless systems, expansion of document management (paperless) systems, specialized printers, audio visual equipment, and the VOIP phone system.
5. Major Facility Replacements - In addition to the above stated needs, there are several City facilities that require replacement including the main library, police facility, and animal control facility. The cost for replacement of these major facilities is estimated to be between \$100 and \$150 million. These costs are not included in the ten year model because the City would most likely seek voter approval of a facilities bond to fund these major projects and therefore the direct cost to the General Fund would be minimal.

The chart represents the first five years (FY 2012 thru FY 2016) of the General Fund Ten-Year Financial Plan, along with the last year of the plan (FY 2021). Outlays increase in FY 2013 and beyond mainly due to 1) end of employee furlough savings, 2) no planned operational savings target amount, and 3) increase in CalPERS retirement premiums. The summary presents additional expense lines discussed above to show the “true picture” of City needs. This chart reflects the “true picture” assuming no additional staffing over the ten-year period.

<i>\$'s in 1,000's</i>	FY 2012 Forecast	FY 2013 Forecast	FY 2014 Forecast	FY 2015 Forecast	FY 2016 Forecast	FY 2021 Forecast
Resources	117,282	117,828	122,073	128,584	132,454	123,461
Outlays	127,924	138,695	142,699	146,605	150,604	173,666
Net Operating Cost	10,642	20,867	20,626	18,021	18,150	50,205
Additional Liabilities	5,423	5,522	5,628	5,737	5,848	6,436
Critical Unfunded Needs	1,000	590	590	590	590	590
Unfunded Needs	2,403	1,595	2,107	969	1,246	645
Net Additional Needs	8,826	7,707	8,325	7,296	7,684	7,671
Total Cost	19,468	28,574	28,951	25,317	25,834	57,876
Beginning Fund Balance	37,315	17,847	(10,727)	(39,678)	(64,995)	(146,455)
Change	(19,468)	(28,574)	(28,951)	(25,317)	(25,834)	(57,876)
Ending Fund Balance	17,847	(10,727)	(39,678)	(64,995)	(90,829)	(204,331)

Conclusion

The planning process is on-going and updates to the model will occur frequently to capture changes in revenues, budget adjustments, and updated information related to expenditures for employee services and the economy. Staff will prepare a summary presentation as part of the FY 2011 General Fund Mid-Year Council report in February 2011. Staff will conduct employee presentations, inclusive of labor representatives and the management team, to ensure employees are informed about the fiscal situation.

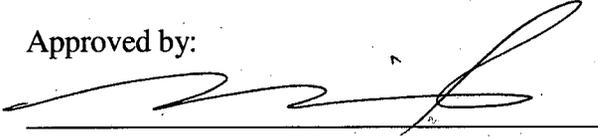
The City Manager and the Executive Team will be working closely over the next few months to identify opportunities to close the deficit, including the following actions:

1. Determine recommendations for funding levels and/or mitigations of current additional liabilities, such as OPEB.
2. Identify opportunities to address the structural deficit related to employee retirement and benefit plans.
3. Develop a plan to restore and build General Fund reserves to agree with the City’s Reserve Policy.
4. Prioritize funding of unfunded needs.

5. Development of contingency plans for reduced service levels in various departments.

Recommended by: *Debra C. Auker, Director of Finance*
Fran Robustelli, Director of Human Resources

Approved by:

A handwritten signature in black ink, appearing to read 'Fran David', is written over a horizontal line.

Fran David, City Manager

Attachment(s): None