



FY 14-16 Fiscal Outlook: Challenges & Direction

**City Council Study Session
March 12, 2013**



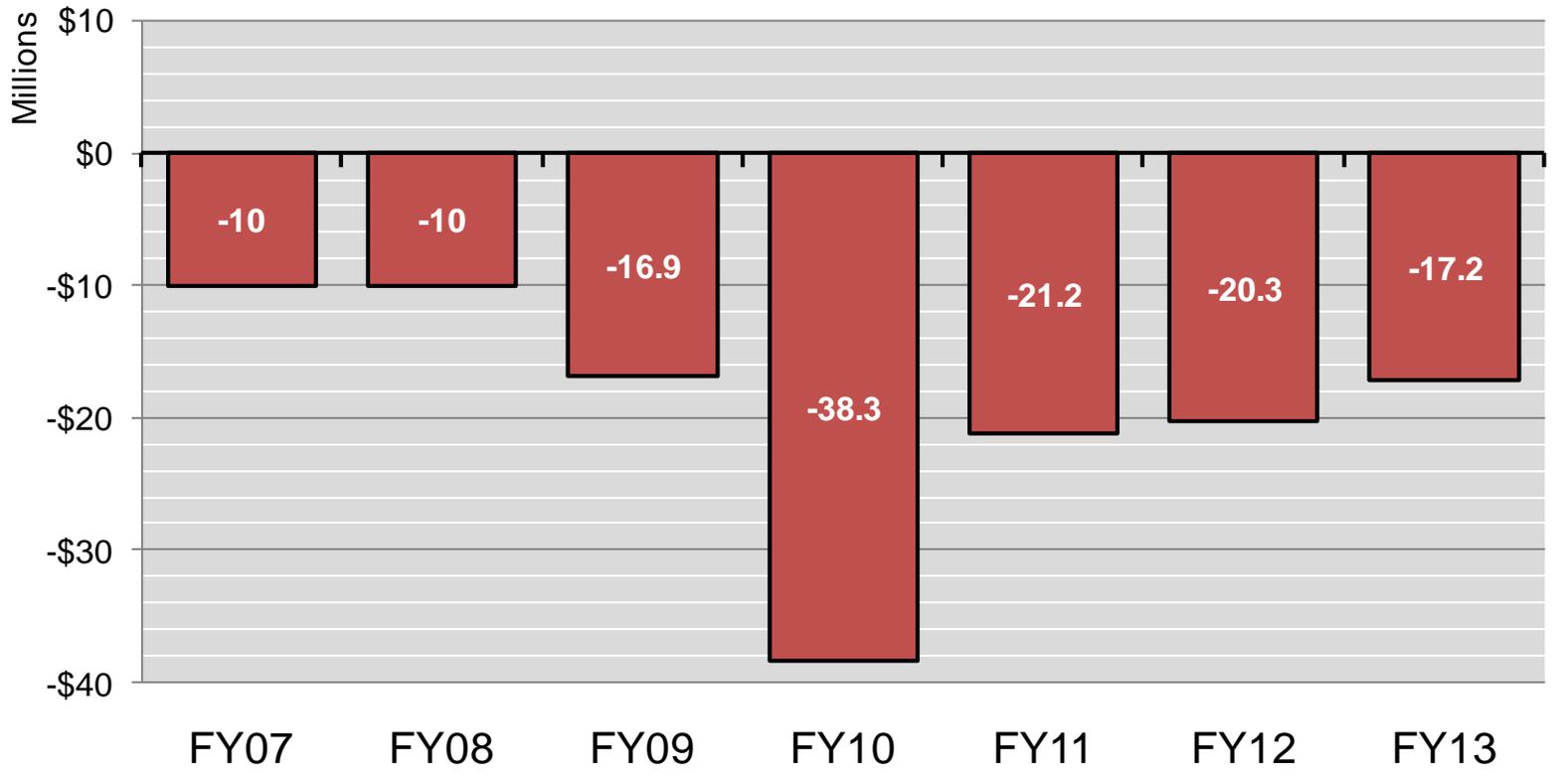
Introduction

- Review of recent past
- Current year outlook
- Preview of next three years
- Approach for FY 14



History of Reductions

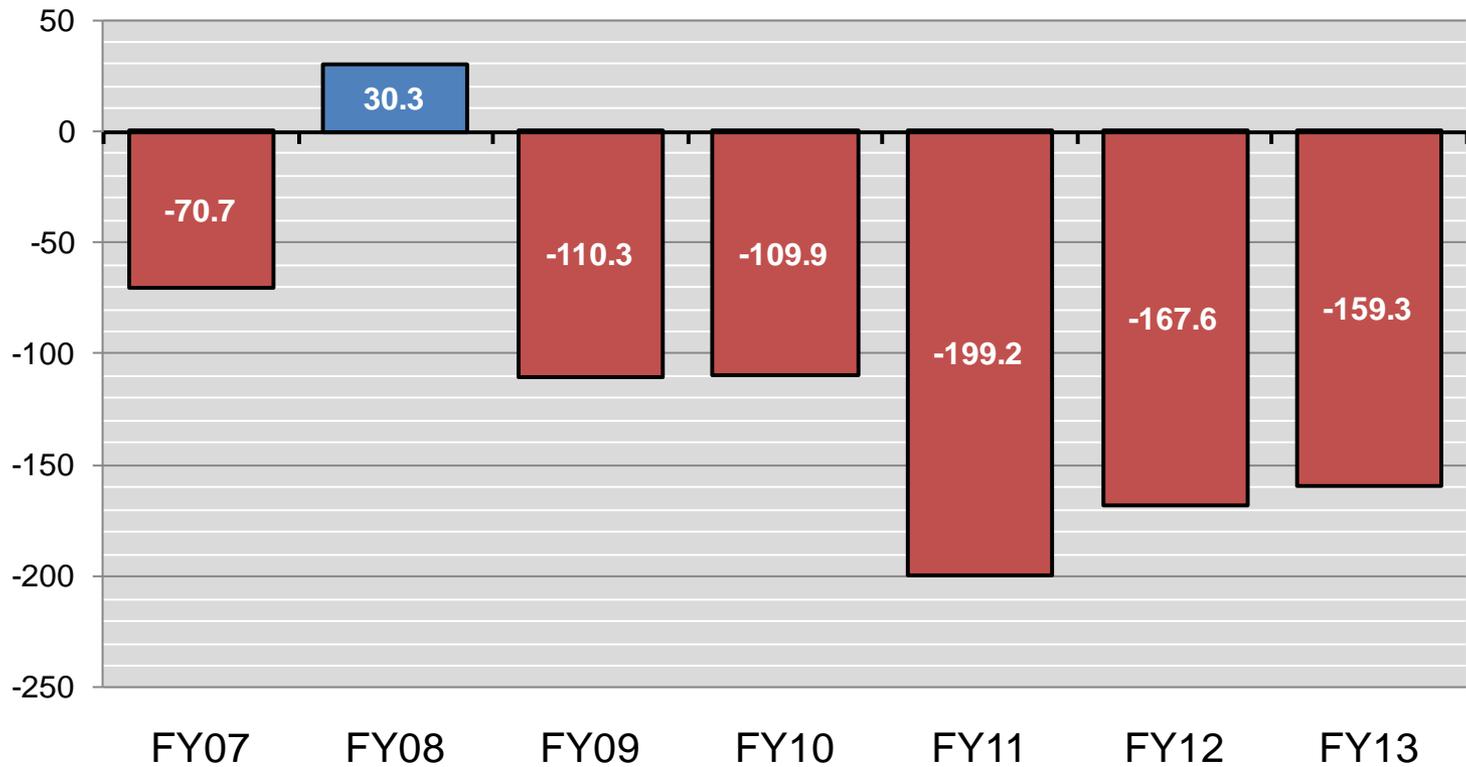
General Fund reduction targets have totaled \$134M since the start of the Recession





History of Reductions

The General Fund has lost 786 budgeted positions since the start of the Recession





Current Year Outlook

- Existing revenues coming in as expected
- Significant one-time revenues have become available for FY 14 to make critical investments
- No spending surprises to date
- Too early to draw firm conclusions



Preliminary Three-Year Forecast

- Started on a good footing
- Pension reform makes a significant improvement
- New property tax revenue from RDA dissolution
- Future wages and benefits growth continues to be a major concern
- Moderate growth in existing revenues



Major Shift in Deficit Projections

Year	Prior Projection	Revised Projection
FY14	(\$10.9M)	\$3.6M
FY15	(\$6.4)	(\$4.9)
Total	(\$17.3M)	(\$1.3M)



Three-Year Expense Forecast

Changes	FY 14 Proposed	FY 15 Projected	FY 16 Projected	3-Year Total
Negotiated Compensation Increases	(\$2.6M)	\$1.7M	\$0.6M	(\$0.3M)
PERS Change	1.2	2.0	1.6	4.8
Other Health Benefit Related Increases	5.3	2.1	2.1	9.5
RDA Related	1.1	-	-	1.1
FY13 one-times to ongoing	2.3	-	-	2.3
Other Misc. Increases	0.2	2.5	1.5	4.2
Total Expense Impact	\$7.5M	\$8.2M	\$5.8M	\$21.5M



Three-Year Revenue Forecast

Changes	FY 14 Proposed	FY 15 Projected	FY 16 Projected	3-Year Total
RDA Loan Repayments	(\$1.5M)	-	-	(\$1.5M)
RDA Increase in Property Tax	10.7	0.5	1.8	12.9
Other Increases	1.9	2.9	3.8	8.6
Total Revenue Impact	\$11.1M	\$3.4M	\$5.5M	\$20.0M



Deficit Elimination Within Reach

Changes	FY 14 Proposed	FY 15 Projected	FY 16 Projected	3-Year Total
Total Expense Impact	\$7.5M	\$8.2M	\$5.8M	\$21.5M
Total Revenue Impact	11.1	3.4	5.5	20.0
PROJECTED ANNUAL STRUCTURAL SURPLUS / (DEFICIT)	\$3.6M	(\$4.9M)	(\$0.3M)	(\$1.5M)



FY 14 Budget Challenges

- Sustainability
- Economy still not strong or predictable
- Still structural issues to address and manage
- FY 14 can be a “breather,” but we cannot relax efforts to achieve structural balance



Not All Risks/Opportunities Included

- Impact of possible assumption changes by CalPERS
- Future wage increases
- Unfunded liabilities
- Potentially higher ambulance revenues



Approach for FY 14

- Continue effort to right-size the City – match operating expenditures with revenues
- Maintain proportionate share between public safety and non-public safety
- Structurally restore \$2.3 million of FY 13 one-time funding for operations (credit rating agency warnings)
- Consider targeted reductions in FY 14
- Use one-time funds in FY 14 to address greatest one-time needs



One-Time Revenue

One-Time Revenue Anticipated to be Budgeted in FY 14	
FY 11 Transfers	\$5.0M
FY 12 Unspent Uplands Oil	4.4
FY 13 Uplands Oil over \$70/bbl	TBD
FY 13 State Sweep of RDA Fund Balance	15.8
FY 13 RDA Property Tax	9.8
FY 13 IAM PERS Pick-up Savings	2.5
Total Revenue	\$37.5M



One-Time Needs

Deferred Replacement & Repair	
Critical Operating Infrastructure	\$ 28M
Streets, Sidewalks and Alleys	275
Storm Drains & Water Quality	159
Facility Repairs & Replacement	352
Total Identified	\$ 814M



One-Time Needs

Critical Need Examples

Critical Operating Infrastructure

- Financial/HR System(s)
- Fire Alarm & Suppression System Replacements
- Fire Engines & Ambulances

Facility Repairs & Replacement

- Roof Replacements & Repairs Citywide
- HVAC Replacements
- Community Center & Library Repairs
- Parks Playground Replacements
- Gender Equality Accommodations



Conclusions

- Difficult decisions made by City Council have paid off
- Need to stay the course to maintain structural balance
- Economy still fragile
- Continue to explore efficiencies and alternative ways of delivering services
- Invest and modernize critical operating infrastructure



Budget Timeline

- February 12 Unfunded Liabilities
 - March 5 Replacement of Financial /HR Systems
 - March 12 Successor Agency Impact on General Fund
 - March 12 Budget Outlook
 - March 18 Start of BOC Meetings
 - April 23 Unfunded Infrastructure Needs
 - July 3 Submittal of Proposed Budget to Mayor
 - August 2 Mayor Submits Proposed Budget to City Council
- September 15 Deadline for City Council to Adopt Budget



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