

CITY COUNCIL

For City Clerk's Use:

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APPROVED

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DENIED

Reso No. _____

File No. _____

Ord No. _____

Agenda Item No.: 25
Date: June 9, 2010

TO: Honorable Mayor and Members of the City Council

FROM: Gilbert Rojas, Director of Finance

SUBJECT: Fiscal Year 2010-11 Operating Budget and Annual Adoption of the Appropriations Limit (Gann Limit)

RECOMMENDATIONS:

1. Approve Resolution 2010-94 and Resolution CDC 2010-05 adopting the 2010-11 Operating Budget for the City of Escondido and the Escondido Community Development Commission.
2. Approve Resolution 2010-93 adopting the appropriations limit (Gann Limit) for the 2009-10 fiscal year as required under Article XIII-B of the State Constitution. The limit should be adopted on a provisional basis as the limit may need to be adjusted once current assessment data is available.

FISCAL ANALYSIS:

The fiscal year 2010-11 General Fund Operating Budget includes \$1,754,785 in employee services reductions, use of \$1.2 million of one time revenue sources, and the utilization of \$4,064,825 in reserve funds.

PREVIOUS ACTION:

On January 13, 2010 a report to the City Council indicated that the 09/10 revenue estimate appeared to be overstated by 6.9 million dollars. This shortfall in revenues would increase the use of reserves in FY 09/10 from 3.5 million dollars to 10.4 million dollars. The City Council requested that the Council's Budget subcommittee meet to discuss possible solutions to the current year shortfall and longer term solutions for the 2010/11 budget. The Budget subcommittee met 12 times and reported back to the City Council 6 times. As a result of these various meetings the following actions were implemented in the current (09/10) year:

1. Reduce the 09/10 General Fund by \$967,000
2. Increase the Street Maintenance budget by \$600,000
3. Transfer the Economic Incentive Reserve (\$17.6M) to the Uncertainty Reserve
4. Continue the graffiti program

In addition, the Budget subcommittee was recommending to the Council that Code Enforcement, Building, Planning, Police and Fire have reduced service levels to help reduce costs in the FY 2010/11 budget.

BACKGROUND:

The Budget subcommittee reviewed a working draft of the General Fund budget and made the following changes that are incorporated in the Preliminary 2010/11 Budget being considered by the Council on June 9.

- Increase the Library budget to allow the library to increase hours of operation
- Increase the previously reduced Code Enforcement budget to allow mobile home park inspections
- Approved an estimated revenue increase of \$1.1 million
- Reduce funding to outside agencies by \$87,000
- Use \$1.2 million dollars in one time funding sources for FY 10/11
- Increase the Police Department initial budget by \$500,000

In addition, the Federal lobbyist payment has been moved back to the City Council's budget. However, the Wastewater fund is paying for 50% of the charge. Unemployment Insurance has increased city cost by an anticipated \$600,000. Twenty three (23) full time permanent positions have been eliminated in the General Fund.

FISCAL YEAR 2010-11 GENERAL FUND OPERATING BUDGET:

The FY 2010-11 Operating Budget for all funds totals \$187.1 million. The General Fund budget totals \$73.4 million and the remaining funds total \$113.7 million.

The General Fund is balanced as follows:

Sources of Funds:

Estimated Revenue	\$ 67,594,000
Transfer from Gas Tax Fund	1,982,000
Transfer from Ryan Trust Fund	42,760
Transfer from Library Trust Fund	10,000
Transfer from Heygi Trust	500
Transfer from Cable Technology Fund	11,000
Transfer from Daley Ranch Endowment	30,000
Transfer from Recycling Fund	360,000
Transfer from Wastewater Fund	25,000
Transfer from Fleet Services Fund	900,000
Economic Uncertainty Reserve	4,064,825
Total Sources	\$75,020,085

Uses of Funds:

General Fund Operating Budget	\$ 73,385,515
Transfer to Reidy Creek Debt Service Fund	290,940
Transfer to Center for the Arts Fund	1,343,630
Total Uses	\$75,020,085

Other Funds

- Center for the Arts Management Fee will be \$644,970
- Water and Wastewater Budgets based on current rate structure
- Fleet Fund reduced equipment replacement by \$720,000
- Building Maintenance Fund reduced costs by \$476,000

GANN LIMIT

Proposition 4 was passed in November 1979. This proposition created a limit on the amount of revenue derived from tax proceeds that could be spent in a given year. This limit, known as the "Gann Limit," was preventing many cities, as well as the state, from spending taxes that were received over this limit. Proposition 111, passed in the June 1990 election, changed the basis for the calculation of the City's limit, starting with the limit for 1991-92. The factors that can now be used give the City a significant margin. The Gann Limit will not be a concern for many years to come.

The limit for the past two years and the current limit with applicable appropriations subject to that limit are as follows:

<u>Year</u>	<u>Limit</u>	<u>Appropriations Subject to Limit</u>	<u>Appropriations Margin</u>
2008-09	423,116,054	65,549,273	357,566,781
2009-10	431,104,485	57,625,358	373,479,127
2010-11	426,289,048	52,666,833	373,622,215

Under State law, as outlined in Article XIII-B of the state constitution, the City must calculate an appropriations limit and adopt it through resolution for the forthcoming fiscal year. The limit was previously based on a combination of the increase in population and the lesser of the increase in California personal income or the Consumer Price Index. With the passage of Proposition 111, the City can choose between the growth in the California Per Capita Income or the growth in the non-residential assessed valuation due to new construction in the city. We can also choose between the population growth of the city or the county. These options start with the 1986-87 limitation. The growth in non-residential assessed valuation is not yet known for 2010-11, so the Per Capita Personal Income Factor was used. The limit will be adjusted when the final numbers are known. Exhibit A contains the Gann Limit calculation for 2010-11 and Exhibit B lists the current and historical population and inflation factors used to calculate the Limit.

CONCLUSION

Staff will continually monitor the economic conditions and report to Council if it appears the projections need adjustment at any time.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Gilbert Rojas', written in a cursive style.

Gilbert Rojas
Director of Finance

RESOLUTION NO. 2010-93

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
ADOPTING AN ANNUAL APPROPRIATIONS
LIMIT FOR THE 2010-11 FISCAL YEAR AS
REQUIRED BY LAW

WHEREAS, Article XIII-B of the California State Constitution requires that the City calculate an appropriations limit for each fiscal year, commonly known as the "Gann Limit;" and

WHEREAS, the Gann Limit is based on a combination of a population factor and an inflation factor as outlined on Exhibit "B;" and

WHEREAS, the City Council desires at this time and deems it to be in the best public interest to adopt an annual Gann Limit for Fiscal Year 2010-11 as listed on Exhibit "A;"

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the City Council adopts the calculation of the annual Gann Limit for the Fiscal Year 2010-11. Copies of the calculations are attached as Exhibits "A" and Exhibit "B" and are incorporated by this reference.

EXHIBIT A
GANN CALCULATION
2010-11

	<u>PROCEEDS</u>	<u>NON-PROC.</u>
PROPERTY TAXES	26,241,000	
OTHER TAXES:		
Sales and Use Tax	17,647,000	
Property Transfer	343,000	
Franchise	5,000,000	
Transient Occupancy Tax	935,000	
LICENSES AND PERMITS:		
Business Licenses	1,555,000	
Plumbing Permits		46,000
Building Permits		395,000
Electrical Permits		51,000
Mechanical Permits		33,000
Other Permits		474,000
FINES, FORFEITURES AND PENALTIES:		
Parking Fines		300,000
Other Court Fines		1,165,000
Library Fines and Fees		75,000
Red Light Photo Citations		550,000
REVENUE FROM USE OF MONEY:		
Interest Income	590,833	209,167
REVENUE FROM OTHER AGENCIES:		
Post Reimbursement		15,000
State Highway Maintenance		10,000
State Motor Vehicle In Lieu Fee	375,000	
Grants		539,000
Rincon Fire Agreement		1,700,000

PROCEEDS NON-PROC.

CHARGES FOR CURRENT SERVICES:

Zoning Fees	54,000
Subdivision Fees	44,000
Environmental Impact Reports	6,000
Sale Maps and Publications	4,000
Special Police Services	303,000
Plan Check Fees	124,000
Engineering Fees	265,000
Paramedic Transport	3,500,000
Other Current Services	849,000
Community Services	218,000

OTHER REVENUE:

Leased Property	2,808,000
Transfer Station Fee	687,000
Other Revenue	328,000
Mobile Home Rent Control	42,000
Reimbursement from Outside Agencies	100,000

GAS TAX FUND:

Revenue from Use of Money	
Interest Income	15,000
Revenue from Other Agencies	
State Gas Tax 2105	761,000
State Gas Tax 2106	504,000
State Gas Tax 2107	1,013,000
State Gas Tax 2107.5	10,000
Revenue & Tax Code 7360-Prop 42	1,427,920

TOTALS	52,686,833	18,625,087
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LESS: STATE MANDATES (Estimated)	(20,000)	
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APPROPRIATIONS SUBJECT TO LIMIT	52,666,833	
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GANN LIMIT FOR 2010-11	426,289,048	
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MARGIN	373,622,215	
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EXHIBIT B
GANN LIMIT CALCULATION

	<u>POPULATION FACTOR USED</u>	<u>INFLATION FACTOR USED</u>	
1994-95 Limitation 1995-96 Factor	City Growth	Non Residential Assessed Valuation	101,319,468 <u>1.61782</u>
1995-96 Limitation 1996-97 Factor	County Growth	Per Capita Personal Income	163,916,662 <u>1.05915</u>
1996-97 Limitation 1997-98 Factor	City Growth	Non Residential Assessed Valuation	173,612,333 <u>1.12837</u>
1997-98 Limitation 1998-99 Factor	County Growth	Non Residential Assessed Valuation	195,898,948 <u>1.07968</u>
1998-99 Limitation 1999-00 Factor	County Growth	Per Capita Personal Income	211,508,176 <u>1.06798</u>
1999-00 Limitation 2000-01 Factor	County Growth	Per Capita Personal Income	225,886,502 <u>1.07165</u>
2000-01 Limitation 2001-02 Factor	County Growth	Per Capita Personal Income	242,071,270 <u>1.09933</u>
2001-02 Limitation 2002-03 Factor	County Growth	Non Residential Assessed Valuation	266,116,209 <u>1.06892</u>
2002-03 Limitation 2003-04 Factor	County Growth	Non Residential Assessed Valuation	284,456,938 <u>1.08706</u>
2003-04 Limitation 2004-05 Factor	County Growth	Non Residential Assessed Valuation	309,221,759 <u>1.07214</u>
2004-05 Limitation 2005-06 Factor	County Growth	Per Capita Personal Income	331,529,017 <u>1.06597</u>
2005-06 Limitation 2006-07 Factor	County Growth	Per Capita Personal Income	353,399,986 <u>1.04937</u>
2006-07 Limitation 2007-08 Factor	County Growth	Non Residential Assessed Valuation	370,847,343 <u>1.07955</u>
2007-08 Limitation 2008-09 Factor	County Growth	Per Capita Personal Income	400,348,249 <u>1.05687</u>
2008-09 Limitation 2009-10 Factor	County Growth	Per Capita Personal Income	423,116,054 <u>1.01888</u>
2009-10 Limitation 2010-11 Factor	City Growth	Per Capita Personal Income	431,104,485 <u>0.98883</u>
2010-11 Limitation			426,289,048

RESOLUTION NO. 2010-94

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
ADOPTING OPERATING BUDGETS FOR
CERTAIN CITY DEPARTMENTS FOR FISCAL
YEAR 2010-11 SUBJECT TO ANY
AMENDMENT MADE PURSUANT TO
COMPENSATION PLANS FOR THE CITY OF
ESCONDIDO AND ESTABLISHING
CONTROLS ON CHANGES IN
APPROPRIATIONS TO VARIOUS FUNDS
AND DEPARTMENTS

BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

SECTION 1. That the budgets for all City Departments for the period July 1, 2010, through June 30, 2011, inclusive, contained in the FY 2010-11 Operating Budget Document (a copy of which is on file in the Office of the City Clerk) as amended by Council, are adopted as the final budgets for the 2010-11 fiscal year, subject to any further amendments pursuant to approval of Compensation Plans for employees of the City of Escondido.

SECTION 2. That the amount designated as Department Total for each department and each fund in the budgets on file with the City Clerk, is hereby appropriated to the department or fund for which it is designated subject to adjustments for Compensation Plan approvals. Such appropriations as adjusted shall be neither increased nor decreased without approval of the City Council, except that transfers within funds, which do not affect the Department Total for each department, may be approved by the City Manager. All amounts designated as Employee Services,

Maintenance and Operation, and Capital Outlay in each budget on file with the City Clerk, are hereby appropriated for such uses to the department or fund under which they are listed, subject to any amendments made pursuant to approval of Compensation Plans for employees of the City of Escondido, and shall be neither increased nor decreased without approval of the City Manager.

RESOLUTION NO. CDC 2010-05

A RESOLUTION OF THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF ESCONDIDO, CALIFORNIA, ADOPTING OPERATING BUDGETS FOR THE COMMUNITY DEVELOPMENT COMMISSION FOR FISCAL YEAR 2010-11 SUBJECT TO ANY AMENDMENT MADE PURSUANT TO COMPENSATION PLANS FOR THE COMMISSION AND ESTABLISHING CONTROLS ON CHANGES IN APPROPRIATIONS

BE IT RESOLVED by the Escondido Community Development Commission of the City of Escondido, California, as follows:

SECTION 1. That the budgets for the Commission for the period July 1, 2010, through June 30, 2011, inclusive, contained in the FY 2010-11 Operating Budget Document (a copy of which is on file in the Office of the Secretary to the Commission) as amended by Commission, is adopted as the final operating budget for the 2010-11 fiscal year. Amendments to this budget may be made from time to time following review and approval by minute action of the City Council.

SECTION 2. That the amount designated as total, on file with the Secretary to the Commission, is hereby appropriated to the Commission and such appropriation shall be neither increased nor decreased without approval of the Commission. All amounts designated as Employee Services, Maintenance and Operation and Capital Outlay in the budget on file with the Secretary to the Commission are hereby appropriated for such uses under which they are listed, subject to any amendments made pursuant to approval of Compensation Plans for employees of the Commission, and shall be neither increased nor decreased without approval of the Executive Director.