

**Study Session
Preliminary Budget
2012-2013**

City of Seaside

April 25, 2012

Agenda

- ✓ Mayor
 - Opening Remarks
- ✓ City Council: Questions and comments related to April 19th Budget Study Session
- ✓ Public Comment
- ✓ Follow-up from April 19th Budget Study Session
 - Summation of Possible Budget Cuts Presentations
 - Discussion of the need for feedback and policy direction from the City Council
 - Mandate for a balanced budget
 - Budget Reserves
 - Loss of Redevelopment - need for economic development
 - Assumptions about employee groups concessions

Agenda

- ✓ Follow-up from April 19th Budget Study Session, continued
 - Nature of the Budget Deficit
 - Dissolution of Redevelopment
 - Stormwater Funding
 - Allocation Adjustment of Employees
 - Sales Tax Collection Issue
 - Managers and workers
 - Retiree Medical Unfunded Liability

Agenda

- ✓ Follow-up from April 19th Budget Study Session, continued
 - Public Safety Chief
 - Organization chart
 - Financial impact
 - Alternatives
 - Advantages
 - Disadvantages
 - Other Impacts
 - Impacts of Contracting Out
 - Impact of fee waivers on the General Fund
 - Cost Allocation System

Agenda

- ✓ Final Staff Comments
- ✓ Public Comments
- ✓ City Council
 - Questions
 - Discussion
 - Provide Policy Direction
- ✓ Mayor
 - Closing remarks
- ✓ All
 - Set Budget Meeting Schedule

City Council Questions & Comments Related to April 19th Budget Study Session

Public Comment

Summary of Possible Budget Cuts

Assumes no employee concessions

• Police	\$ 1,021,570
• Fire	\$ 483,500
• Resource Management	\$ 633,704
• Administrative Services	\$ 155,938
• Assumed Employee Concessions	<u>\$ 0</u>
• TOTAL	\$ 2,294,712

Assumes \$1.1 million in employee concessions

• Police	\$ 553,921
• Fire	\$ 308,000
• Resource Management	\$ 352,646
• Administrative Services	\$ 84,206
• Assumed Employee Concessions	<u>\$1,100,000</u>
• TOTAL	\$ 2,398,773

Need for Feedback and Policy Direction from City Council

- Mandate for a Balanced Budget
 - A Balanced Budget matches expenditures to revenues
 - Uses on-going revenues to fund on-going expenditures
 - Does not use one-time funds to pay for on-going expenditures
 - Takes care of financial issues now
 - Allows City to start following year without a budget deficit
 - This is the way to operate any business

Need for Feedback and Policy Direction from City Council

- Mandate for a Balanced Budget
 - In a Deficit Budget, expenditures exceed revenues
 - Pushes the deficit to future years
 - Present burden becomes future burden on expenditures
 - Eventually the City has to deal with an unbalanced budget
 - Deficit spending further cuts into the City's reserves

Need for Feedback and Policy Direction from City Council

- Mandate for a Balanced Budget
 - So it's pay now and get back on track
 - Or pay later and suffer later
 - Therefore the operating assumption is that the City Council is mandating the City Staff to produce a Balanced Budget in order to avoid the problem of pushing today's problem to future years.

Need for Feedback and Policy Direction from City Council

Current Reserves

• Emergency (100% funded)	\$2,712,200
• Special (50% funded)	\$ 904,100
• Capital (25% funded)	<u>\$ 226,000</u>
• Total Reserves	<u>\$3,842,300</u>

17.7% of preliminary budget expenditures, two months of operations.

Reserves with Possible Redevelopment Take Away

If Redevelopment loan payment is canceled, reserves would be 7.4% of preliminary budget expenditures, less than one month of operation.

• Emergency (18% funded)	\$ 478,769
• Special (50% funded)	\$ 904,100
• Capital (25% funded)	<u>\$ 226,000</u>
• Total Reserves	<u>\$1,608,869</u>

Fully Funded Reserves

• Emergency (100% funded)	\$2,712,200
• Special (100% funded)	\$1,818,200
• Capital (100% funded)	<u>\$ 904,000</u>
• Total Reserves	<u>\$5,434,400</u>

25% of preliminary budget expenditures, three months of operations. Would require a set aside of \$1.5 to \$3.8 million.

Loss of Redevelopment

- Increasing City's revenues is a key component of long-term financial stability.
- Need for economic development activities remains despite loss of redevelopment as a funding source.
- Job and revenue creation is a measurable goal and benefit of economic development activities.

Loss of Redevelopment

- Implementation of adopted economic development plans/agreements in most cases requires a public sector contribution.
 - Specific Plan/Environmental Impact Report
 - Site preparation/assembly
 - Public infrastructure improvements
 - Reduced fees and charges

Loss of Redevelopment

- West Broadway Urban Village
 - Specific Plan/Environmental Impact Report
 - Infrastructure Improvement Plan
 - Mixed-Use Library Project Feasibility Studies
- The Projects at Main Gate
 - Specific Plan/Environmental Impact Report
 - Site assembly
- Seaside Resort Development
 - Financial assistance: Rabobank loan

Loss of Redevelopment

- Monterey Downs and Horse Park and Central Coast Veteran's Cemetery
- Regional Trade and Exposition Convention Center
- Development of Fort Ord Lands
 - Seaside East Conceptual Master Plan
 - 26 Acres South of Light Fighter Drive
 - Suplus II
 - Shoppette Site

Loss of Redevelopment

- Business retention, expansion, and attraction
 - Commercial façade program
 - Grow Seaside Fund
 - Participation in County-wide marketing efforts
 - Adoption of local development incentives

Loss of Redevelopment

- Identify alternative funding mechanisms and partnership arrangements
 - New/Amended legislation
 - Community Facilities Districts
 - Assessment and Business Improvement Districts
 - New Market Tax Credits
 - Public/Private partnerships
 - Design/Build model

Nature of the Budget Deficit

2012-2013 Preliminary Budget General Fund

• Estimated Revenues \$ 19,238,300

LESS:

• Projected Expenditures \$ 21,629,575

• Operating Deficit \$ 2,391,275

2012-2013 Preliminary Budget Components of the Operating Deficit

Redevelopment Dissolution

- Expenditures
 - Approximately \$250,000 in direct costs
 - Employee costs and other direct operating costs
 - Approximately \$1,500,000 of annual indirect charges from Resource Management
 - Building
 - Planning
 - Engineering
 - Approximately \$400,000 of other annual indirect expenses from internal services
 - Central Services Charges
 - Insurance
 - Management Information Services
- Revenues
 - Successor Agency will receive funding for administrative expenses
 - Additional tax revenue will be received by the General Fund
 - 2012-2013 estimate of \$400,000
- Net Cost to the General Fund
 - Estimated to be \$1,500,000

Storm Water Program

- 1972 Federal Clean Water Act amended to include storm water as a pollutant
 - Established National Pollutant Discharge and Elimination System (NPDES) Permit
 - In California, NPDES permit requirements are enforced by State and Regional Water Quality Control Boards
- 2002 Memorandum of Agreement
 - Created Monterey Regional Storm Water Management Program (MRSWMP) Group
 - Includes cities of Seaside, Monterey, Pacific Grove, Carmel, Sand City, Del Rey Oaks, Marina & County of Monterey

Storm Water Program

- MRSWMP Program is divided into six segments called Minimum Control Measures (MCM)
 - (1)Public Education, (2)Public Outreach, (3)Illicit Discharge Detection and Elimination, (4)Construction Site Oversight, (5)Post Construction Storm Water Management, (6)Pollution Prevention - Good Housekeeping Municipal Operations
- MRSWMP Permit
 - 5 Year Permit - November 2006 thru September 2011 with extensions provided by the State.
 - Current MRSWMP permit with the State set to renew in fall of 2012
 - Increased monitoring and sampling requirements anticipated which will increase costs to implement

Storm Water Program Funding

- Draft 2008 Storm Water Master Plan
 - Estimated Program cost of \$800,000/yr -Operations and Maintenance (O&M) only
 - \$50,000,000 in capital improvements identified
 - Proposed fees applied to both residential and commercial parcels - \$5.74/mo O&M only, or \$42/mo to include capital improvements
- Next steps
 - Update and Finalize Draft Master Plan
 - Outreach & education with businesses and residents
 - Consideration of a ballot measure for proposed fee requiring 2/3 vote for approval or consider adoption of development fees based upon contribution to storm water runoff

Adjust Allocation of Employees

- Building Division Code Enforcement Officers
 - 50% added to General Fund due to loss of funds from CDBG \$60,000
 - P.W. Building Maintenance Division
 - Allocated 1 additional employee to create a minimum of a 2-person crew \$70,000
 - Parks Division
 - Removed allocation of 1.15 Full-Time Equivalents from Vehicle Maintenance due to temporary assignments and placed them back to Parks Division \$80,000
 - Other
 - Various smaller, partial reallocations to other funds (\$20,000)
- Total of 2.65 Full Time Equivalent Positions \$190,000

Full-Time Positions Lost From Fiscal Year 2008/09 - 2011/2012

- **Full-Time Non-Management Employee Positions**
 - Positions Filled: 134
 - Positions Vacant and Unfunded: 27 *
 - Reduction in Full-Time Non-Management Employees: 20%
- **Full-Time Management Positions**
 - Positions Filled: 37
 - Positions Vacant and Unfunded : 15 *
 - Reduction in Full-Time Management Employees : 41%

* Includes layoffs, retirements, and all other separations

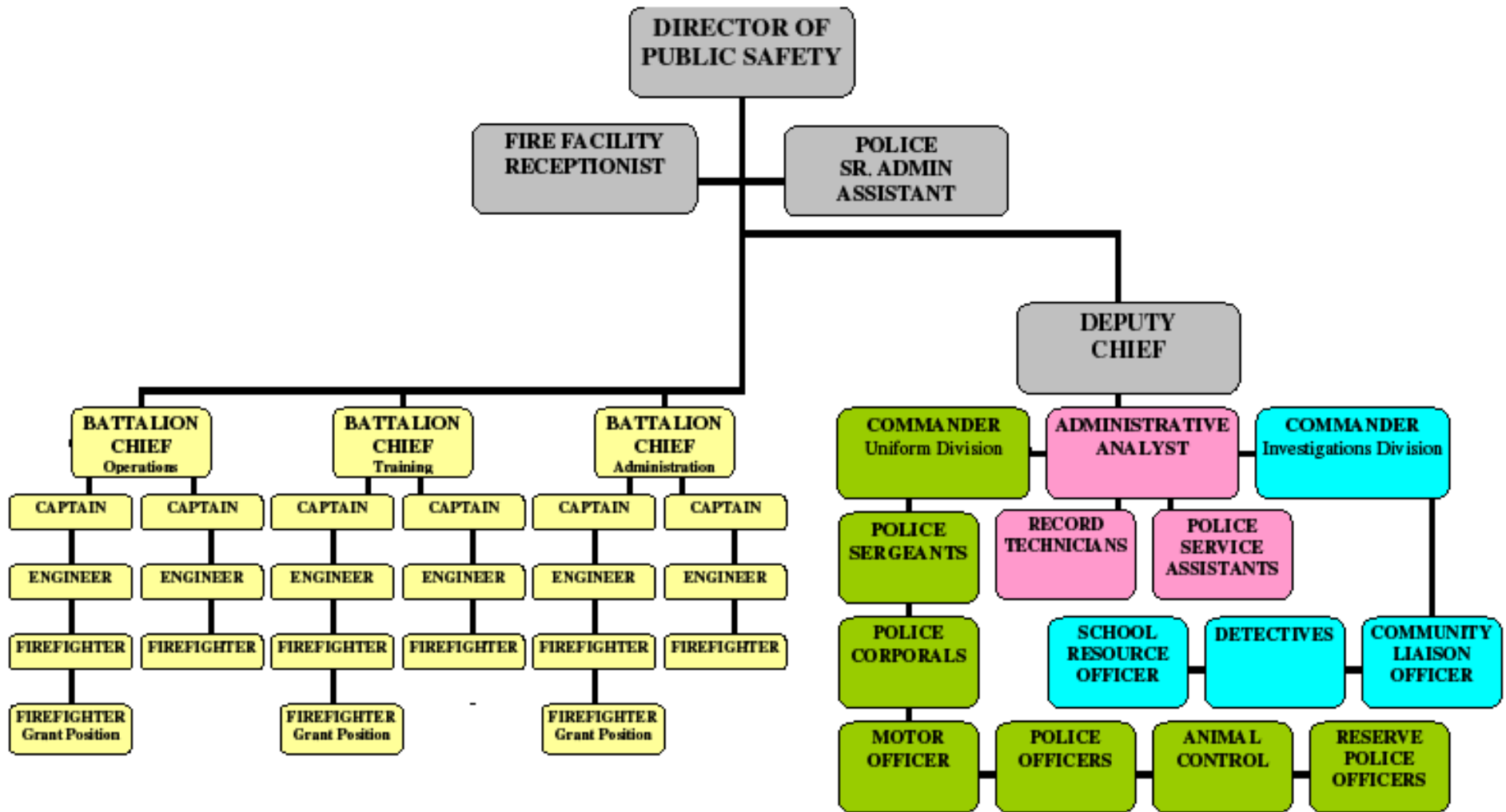
Unfunded Liability for Retiree Medical Plan

- \$6.9 million at June 30, 2011
- Currently funded on a pay as you go basis
- Will grow as current covered employees age
- Plan has been eliminated for all new employees
- Unfunded liability will decrease as more new employees are added who are not in the Plan

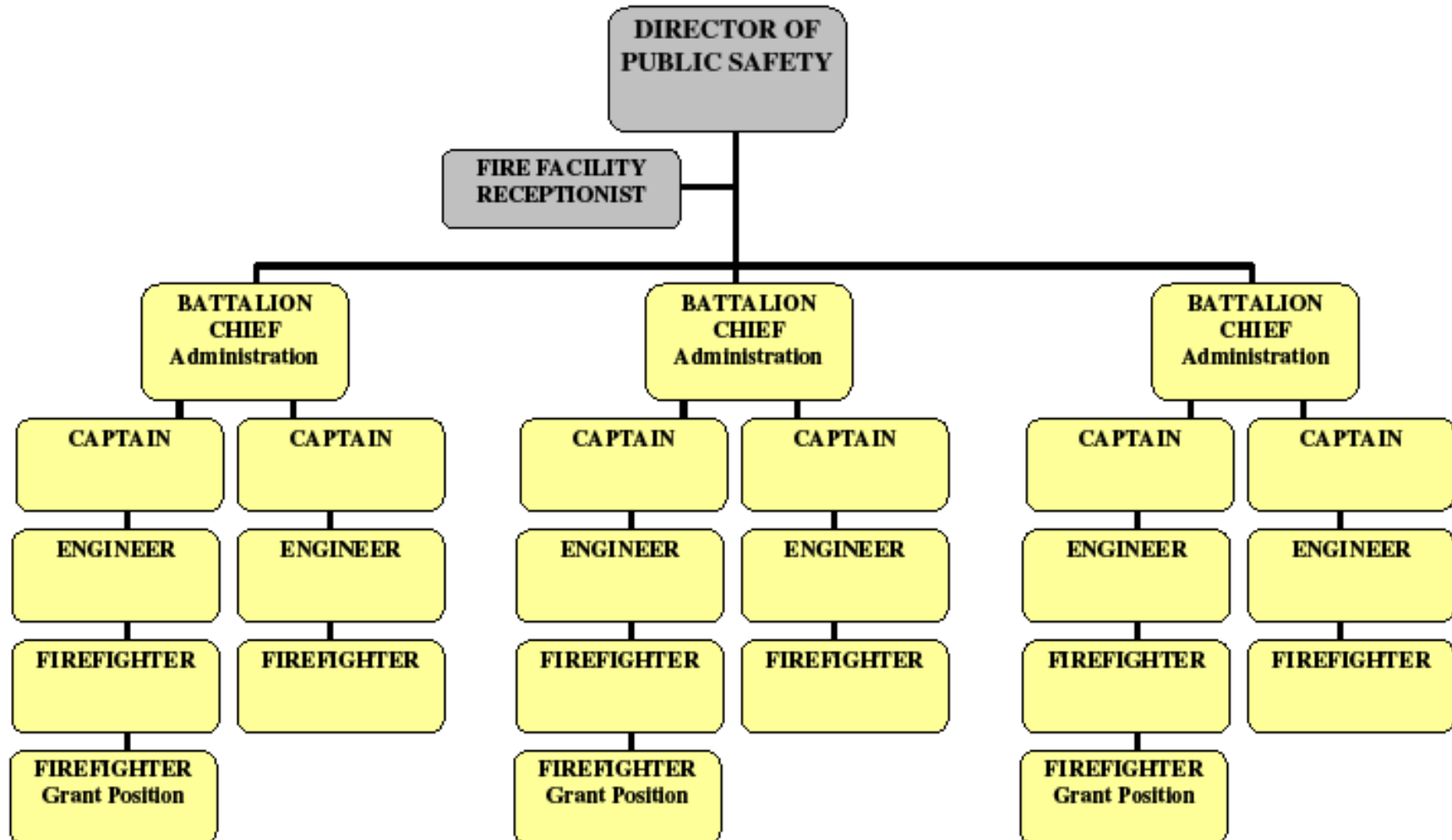
Fire Chief Issue

- Steve PrelsNIK retires on June 30, 2012
- City and Fire Department will need quality Fire Management Services
- Goals
 - Competent Management of Seaside Fire Department
 - In view of budget shortfall, achieve savings from current costs
- Options
 - Half-time Fire Chief
 - Half-time Management Services from another Agency
 - Appointment of a Public Safety Chief
- Analysis not complete

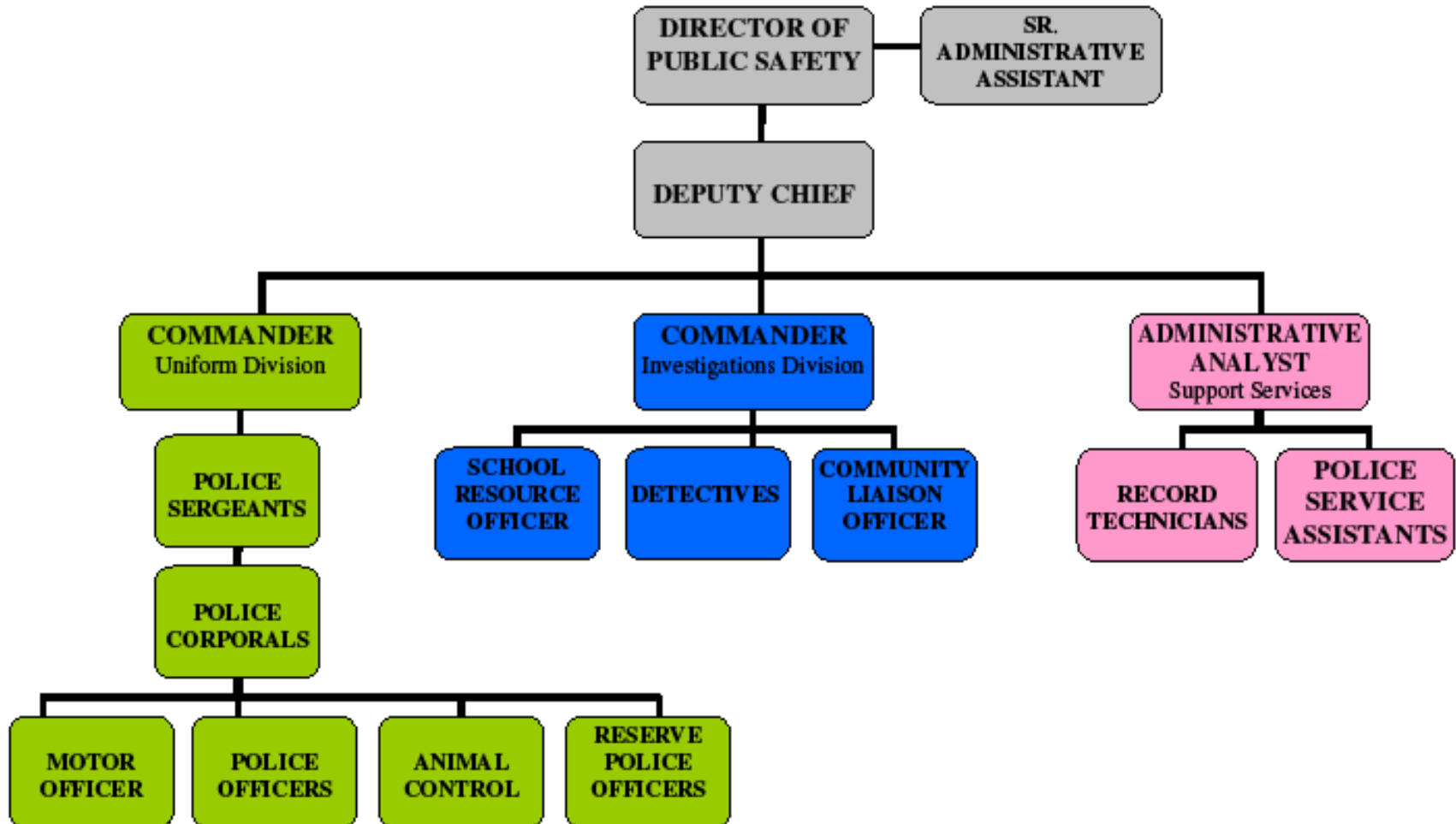
City of Seaside
DIRECTOR OF PUBLIC SAFETY
 Organization Chart



City of Seaside
DIRECTOR OF PUBLIC SAFETY
Fire Department Organization Chart



City of Seaside
DIRECTOR OF PUBLIC SAFETY
Police Department Organization Chart



Fire Department- Director of Public Safety Reductions - Assuming \$1.1 Million in Concessions *Target Reduction \$280,420*

REDUCTION	ACTION	SAVINGS
Eliminate Fire Chief	Appoint Public Safety Director	\$92,590
Eliminate One Firefighter	Eliminate vacant FF position funded through FEMA and fund an existing FF with grant monies	\$113,000
Down grade Chief Officer Position	Rollback from Division Chief to Battalion Chief	\$75,000
TOTAL:	APPOINT DIRECTOR OF PUBLIC SAFETY	<u>\$280,590</u>

Police Department- Director of Public Safety Reductions - Assuming \$1.1 Million in Concessions *Target Reduction \$548,942*

REDUCTION	ACTION	SAVINGS
Police Services Assistant Position	1 Police Services Assistant is laid off	\$86,780
Animal Control Officer Position	1 Animal Control Officer is laid off	\$77,652
Community Liaison Officer Position	After bumping rights, 1 Officer is laid off	\$123,000
Police Officer Position	1 Police Officer is laid off	\$140,260
Eliminate Chief of Police Position	Appoint Director of Public Safety	*92,590
Reduce Operating Costs	Various	\$28,660
TOTAL:	2 OFFICERS & 2 CIVILIANS LAID OFF. APPOINT DIRECTOR OF PUBLIC SAFETY	<u>\$548,942</u>

Contracting Services

Pros

- Flexibility/Efficiency on how to provide certain services
- Having a performance based contract
- Competitiveness for contracts providing potential money savings
- Contracts in place to provide specific response to emergency situations

Cons

- Loss of institutional knowledge
- Ability to temporarily backfill other duties when need arises

Impact of Fee Waivers on the General Fund

Seaside Raider Field Use	\$10,296
Seaside High Homecoming Parade	\$646
MLK March Fee Waiver	\$6,197
Seaside PAL Field Use	\$8,838
Seaside PAL Meeting Room Use	\$312
Peninsula Girl's Softball Field Use	\$15,908
Seaside Pony League Field Use	\$37,580
Delta Sigma Theta Jaborwock	\$2,029
Women's Conference	\$2,301
Ballet Folklorico Aguila Real	\$540
Seaside High School Sober Grad Nite	\$1,623
Monterey County Redistricting Meeting	\$250
TOTAL 2010-2011	\$86,520

Cost Allocation System

- Adopted three years ago as part of the Fiscal Wellness Goal
 - First incorporated into the 2010-2012 Budget
 - In order to measure the true cost of programs and services
- Increase revenues by incorporating Central Service and Internal Service costs against billable programs
- Apply the full costs of services into charges for fee related services
- Make decisions regarding strategic planning issues, such as whether or not to cut the cost of operations or to privatize a service

Cost Allocation System

- Usual costs of a City operation
 - Salaries
 - Direct Employee Benefits
 - Indirect Employee Benefits (paid time off)
 - Supplies
 - Contract Services
 - Capital Costs (when applicable)

Cost Allocation System

- Other Costs are Necessary for a Department to Perform its Tasks
 - Telephones
 - Computers
 - Insurance
 - Vehicle Maintenance
 - City Council, City Manager, City Clerk and City Attorney Support
 - Payroll and personnel support
 - Payments to vendors
 - Collection of revenues
 - Building maintenance
 - Other

Cost Allocation System

- City Council adopted policy
- Without Central Service and Internal Service Support Departments could not Operate
- Central Service and Internal Service Support Charges are Allocated to All Departments to know the True Cost of Department Operations
- Costing principles are established by the federal Office of Management and Budget Rules and Regulations 2-CFR-Part 225 (formerly titled OMB A-87) for state and local governments
- A cost allocation system is considered a necessary component of a modern municipal accounting system

Final Staff Comments

Public Comment

City Council Questions & Comments, Discussion and Policy Direction

Mayor's Closing Remarks

Proposed Budget Schedule

- If the City Council is satisfied that they have fully given policy guidance to the City Staff, then staff will prepare the Proposed Budget for 2012-2013
 - Present to City Council at the May 17th regular meeting
- June 7th, first regular meeting in June, Public Hearing
- June 21st, second regular meeting in June, Public Hearing and possible adoption

Proposed Budget Schedule

- If the City Council believes they need to give more public guidance to the City Staff, then another Study Session will need to be scheduled
- Possible Budget Study Sessions:
 - Tuesday, May 8 or Thursday, May 10
- June 7th, first regular meeting in June
 - Present Proposed Budget for 2012-2013
 - Public Hearing
- June 21st, second regular meeting in June
 - Public Hearing
 - Possible Adoption

Preliminary Budget 2012-2013

City of Seaside

**CITY OF SEASIDE
SUMMARY OF POSSIBLE BUDGET CUTS
2012-2013**

Assumes No Employee Concessions

<u>REDUCTION</u>	<u>ACTION</u>	<u>SAVINGS</u>
TOTAL POLICE	5 OFFICERS AND 2 CIVILIAN LAYOFFS	\$ 1,021,570
TOTAL FIRE	2 VACANT POSITIONS ELIMINATED	\$ 483,500
TOTAL RESOURCE MANAGEMENT	9 LAYOFFS/3 VACANCIES ELIMINATED/ 3 ADDS	\$ 633,704
TOTAL ADMINISTRATIVE SERVICES	1 LAYOFF	\$ 155,938
ASSUMED EMPLOYEE CONCESSIONS		\$ -
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GRAND TOTAL		<u>\$ 2,294,712</u>

Assumes \$1.1 million in employee concessions

<u>REDUCTION</u>	<u>ACTION</u>	<u>SAVINGS</u>
TOTAL POLICE	2 OFFICERS AND 2 CIVILIAN LAYOFFS	\$ 553,921
TOTAL FIRE	2 VACANT POSITIONS ELIMINATED	\$ 308,000
TOTAL RESOURCE MANAGEMENT	7 LAYOFFS/3 VACANCIES ELIMINATED/ 3 ADDS	\$ 352,646
TOTAL ADMINISTRATIVE SERVICES	1 LAYOFF	\$ 84,206
ASSUMED EMPLOYEE CONCESSIONS		\$ 1,100,000
		<hr/>
		<u>\$ 2,398,773</u>

CITY OF SEASIDE STORM WATER PROGRAM OVERVIEW

BACKGROUND-Why is a storm water program required

In 1972, the Federal Water Pollution Control Act (also referred to as the Clean Water Act) was amended to require that discharges of pollutants to waters of the United States must be in compliance with a National Pollutant Discharge Elimination System (NPDES) permit. The State of California is authorized to enforce Federal Environmental Protection Agency regulations. The task of enforcement belongs to the State Water Resources Control Board (State Board) and the nine Regional Water Quality Control Board. The Central Coast Regional Water Quality Control Board has jurisdiction over the City of Seaside.

In order to comply with the requirements of the NPDES and State permit, the City of Seaside joined efforts with adjacent jurisdictions to create the Monterey Regional Storm Water Management Program (MRSWMP). Participating entities are joined together with a Memorandum of Agreement (MOA), executed September, 2002, with the Cities of Seaside, Monterey, Pacific Grove, Sand City, Del Rey Oaks, Carmel-by-the-Sea, Marina, and the County of Monterey.

MRSWMP- What is in the Permit Document?

The Monterey Regional Storm Water Management Program (MRSWMP) outlines specific tasks, referred to as Best Management Practices, grouped into six Minimum Control Measures (MCM's), which the City is required to perform in order to maintain compliance. The six MCM's are as follows:

Minimum Control Measure 1 & 2: Public Education and Outreach

Minimum Control Measure 3: Illicit Discharge Detection and Elimination

Minimum Control Measure 4: Construction Site Storm Water Runoff Control

Minimum Control Measure 5: Post-Construction Storm Water Management in New and Redevelopment

Minimum Control Measure 6: Pollution Prevention/Good Housekeeping for Municipal Operations

The 5 year permit with the Regional Board began November of 2006 and concluded in September 2011. Since the State is currently revising the permit requirements, the Central Coast Water Board has extended the MRSWMP permit until the new State general permit has been adopted, anticipated by fall of 2012. Significant changes anticipated for the next permit cycle include increased dry weather sampling requirements, formal adoption of Low Impact Development (LID) requirements, greater oversight responsibility of construction permits within the City and increased effort in municipal housekeeping operations, specifically street and catch basin cleaning and reporting.

STORM WATER MASTER PLAN – Discussion of costs and potential fees

The City released a request for proposal to prepare a storm water master plan in 2008. Due to funding limitations, only a draft of the plan was completed. The draft master plan identified program cost of \$800,000/yr, covering only Operations and Maintenance. The draft plan proposed a fee starting at \$5.74/month per Equivalent Single Family Residential Unit (ESFRU), and would be applied to both commercial and residential parcels. The draft plan identified approximately \$50,000,000 in capital improvements. When capital improvement projects are included, the fee rises to \$42/mo. The next steps include the update and completion of the master plan, outreach to residents and businesses to educate about cost of storm water program and City Council to approve placing a measure on the ballot to collect fees. The ballot measure would require a 2/3 majority vote to approve new fees.

Another approach though it would accumulate funds more slowly for the city would be to create a particular development fee for dealing with storm water; based on the amount of impermeable space created (buildings and parking areas) by new development. In any event the unresolved storm water issue will soon be costing the City of Seaside nearly \$1 mil per year.