



**Agenda Item A.1
WORKSHOP
Meeting Date: April 11, 2011**

TO: Mayor and Councilmembers
FROM: Daniel Singer, City Manager
CONTACT: Tina Rivera, Finance Director
SUBJECT: RNA Budget Workshop #1

RECOMMENDATION:

Provide staff feedback and direction.

DISCUSSION:

While Monday's Council workshop kicks off the "official" City budget process, the primary focus of this workshop is intended to address two issues: First, discussion on the City's budgeting principles as well as a few outstanding financial policy matters; and, Second, direction relating to the long-anticipated financial bump created upon the City's tenth year of incorporation as defined in the Revenue Neutrality Agreement (RNA) with the County of Santa Barbara. The RNA bump being the predominant subject matter. In fact, this workshop wouldn't be necessary absent the opportunity to begin to plan for the use of those additional revenues beginning with the adoption of the next two-year budget.

Since incorporation, Goleta has been looking forward to the financial changes in Year 10 that in turn would represent service level opportunities for its residents. Much has changed during the nine years since incorporation, not the least of which has been the most severe economic recession since the Great Depression. So while there have been a multitude of visions for the future of Goleta beyond the revenue mitigation period, it is only now that a clearer financial picture of Year 10 is beginning to develop. Because Year 10 represents the only significant, reliable and foreseeable change in the City's revenue structure, it would appear appropriate to consider making this unique opportunity count. It is with this concept in mind that staff is seeking to engage the Council and community in planning for the evolved or "mature" Goleta.

The workshop will begin by reconfirming the Council's commitment to prudent budgeting principles, followed by determining the Council's perspective on the type and level of financial safety net appropriate for Goleta. One unique part of that discussion will include determining what, if any, portion of the revenue bump, should be brought forward into the next fiscal year to smooth-out the impacts on services.

The final part of the workshop will be focused on the vision of the Goleta to come. While this is primarily a philosophical exercise, whose focus is not necessarily on the ability of making the vision happen, but rather understanding the Council's direction and priorities, it is an important exercise nonetheless. On the one hand, the added revenue bump will hardly be sufficient to realize all of the goals and dreams the Council may have for the future, yet on the other hand absent a discussion and prioritization of those goals, they may never be realized.

At the conclusion of the workshop staff hopes to have a better understanding of Council's expectations for the pace and areas of growth within the organization and in service to the community. These expectations will then be incorporated into the upcoming budget proposal where applicable and feasible and will form the basis for a greater road map of where the City wants to be in the years to come and how we will attain such a goal.

To assist the Council in preparing for the workshop, please find attached a copy of the powerpoint presentation as well as a future needs list developed by staff. These items, along with public input and Council direction, will hopefully facilitate the discussion process.

Reviewed By:

Approved By:

Michelle Greene
Administrative Services
Director

Dan Singer
City Manager

ATTACHMENTS:

1. Powerpoint Presentation
2. Future Needs List

ATTACHMENT 1

Powerpoint Presentation



Budget Workshop #1
RNA Bump

April 11, 2011

Workshop Overview

- Budget principles
- Buffer for structural balance
- Contingency reserve policy
- Growing into RNA bump
- Ideas for Use of RNA
 - Staff requests
 - Outside agencies requests
 - Council

Budget Principles to Live By

- Identify resources and allocations as ongoing or of a one time nature.
- Match ongoing allocations to ongoing projected revenues to ensure a structurally balanced budget.
- Maintain a cushion between ongoing revenues and ongoing expenditures to allow time and flexibility to react to changing conditions in revenues.
- Maximize funding support from Non-General Fund sources.

Buffer For Structural Balance

- In the past council has embraced the idea of maintaining a buffer between revenues and expenditures.
- Staff recommends maintaining a 5-10% buffer between ongoing projected revenues and ongoing expenditures.
- Currently the city has been unable to maintain this buffer.

Contingency Reserve

- Current policy requires that a minimum contingency reserve balance of 33% of expenditures be maintained.
- No further details beyond balance requirements have been established.
- City would benefit from the adoption of a more comprehensive contingency reserve policy.

Contingency Policy Overview

- The draft policy addresses:
 - Funding levels
 - Intended purpose of reserve
 - Approvals Required
 - Reserve replenishment plan

Funding Level

- Basic savings principles say a reserve/savings that can sustain ongoing expenditures for 4-6 months should be maintained.
- Currently the 33% funding level would sustain the City's expenditures for 4 months.
- Vulnerability of revenues should be a consideration in setting funding level.

Goleta's Revenue Stream

Sources of Revenue	FY 11-12	FY 12-13
Property Tax	35%	29%
Sales Tax	27%	32%
Transient Occupancy Tax	16%	22%
Licenses & Other Charges	10%	8%
Franchise Tax	7%	6%
Misc.	5%	3%

Revenue Stream Vulnerability

- Highly affected by economic conditions
 - Sales Tax – 32%
 - Transient Occupancy Tax – 22%
- Moderately affected by economic condition
 - Franchise Tax – 6%
 - Licenses & Other Charges – 8%
- Somewhat unaffected by economic condition
 - Property Tax – 29%

Options for Setting Target

- Various alternatives exists for setting the reserve target. The contingency reserve funding level may be set as a % of:
 - All revenues
 - Ongoing revenues
 - All expenditures
 - Ongoing expenditures

Example of 33% Reserve Level

	ALL	Only Ongoing
Revenues	\$100,000	\$95,000
	Res. Bal. \$33,000	Res. Bal. \$32,000
Expenditures	\$105,000	\$85,000
	Res Bal. \$35,000	Res Bal. \$28,000

Intended Uses

- Interruptions in cash flows
- Emergencies
- Capital Acquisitions
- Emergent Opportunities

Interruptions in Cash Flows

- Use reserve to supplement revenue which has been significantly reduced.
- Examples:
 - State holding back on or altering tax distributions
 - Significant economic slowdown

Emergencies

- The entire reserve balance may be used to temporarily fund recovery costs in the event of an emergency or disaster such as earthquake, fires, or floods.
- Grant or Aid money shall be used prior to use of the reserve fund

Capital Acquisitions

- Use reserve to finance capital acquisitions
- Limited to 1/3 of the contingency reserve balance
- A replenishment plan must be established along with approval for capital acquisition
- Example: Capital outlay for start up of City police department

Emergent Opportunities

- Use reserve to finance opportunities to directly benefit the city in a variety of ways.
 - Create revenue streams
 - Enhancing revenue streams
 - Preserving revenue streams
- Limited to 1/3 of the contingency reserve balance
- Example: Costs associated with the GWSD detachment

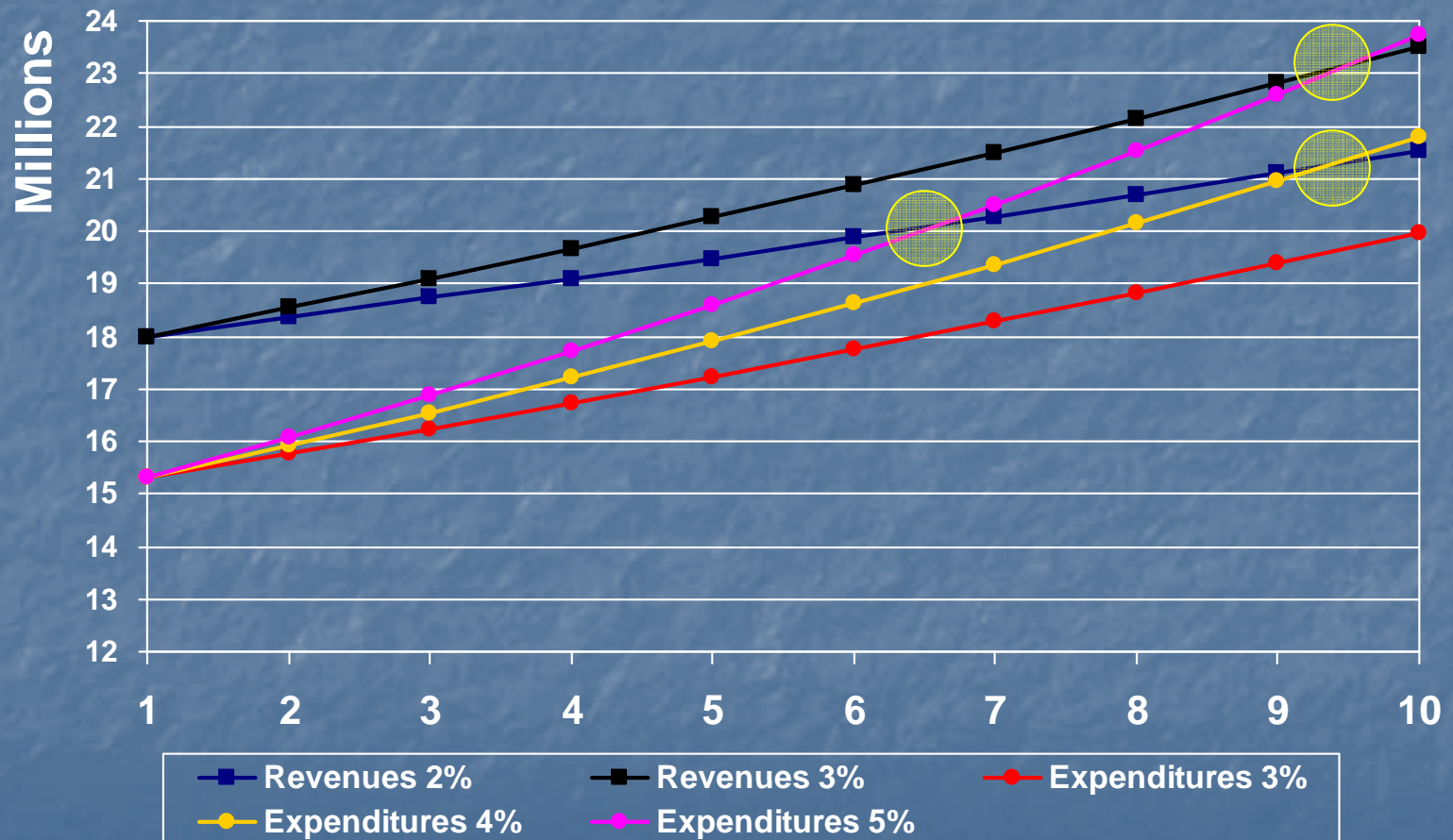
Reserve Use Approval

- Approval requirement options
 - Majority vote
 - 4/5 majority
 - Majority approval based upon % of reserve allocated

Replenishment Plan

- A 60 day window is given to staff to establish a repayment plan upon allocation of the reserve.
- With the goal to replenish the reserve as soon as it is financially feasible and practical to do so.
- Repayment plan may not to exceed 5 years.

Long Term Ideal With RNA Bump



RNA Question

How will RNA Bump be spent?

- To maintain service levels in year 9
- To build-up of Reserves
 - Risk Management
 - Litigation
 - Building Maintenance
 - Equipment Replacement
 - City Hall Acquisition
- To fund other One-time needs
- To fund Ongoing needs

Future Needs List

- **Topic Areas**
 - Infrastructure
 - Employee Compensation & Benefits
 - Staff Support
 - Recreation
 - Facilities, Parks & Open Space
 - Support of Cultural Events & Community Functions
 - Enforcement - Police, Housing & Parking
 - Economic Development
 - Technological and Process Improvements

Other Future Needs?

Outside Agencies & Public Input

New Council Ideas

Meaning of Prioritization

- Represents Council's desire to see emphasize placed in these areas.
- Does not necessarily equate to resource allocation.
- Provides Staff direction to enhance or improve the targeted areas.

Prioritization Grouping

1. Most Essential
2. Highly Desirable
3. As Can Be Accommodated

ATTACHMENT 2

Future Needs List

FUTURE NEEDS PROJECTION - 04/07/11

Department/ Program	Additional Staff Needs	Additional Boards	Additional Contract/ Consultant Needs	Benefits	Function of Position/Service	One-Time Est. Expense	On-going Est. Expense
CS Citywide			Restoration of General Fund Subsidy of Street Improvement Program	Restores GF investment levels to 2009, helps City meet its MOE requirement for Measure A funds and allows City to maintain the condition of its street system.	Street Maintenance		\$ 500,000
Citywide				2.3% COLA			\$ 132,700
Citywide				457 contributions made by City at the level of 1% of salaries			\$ 43,300
Citywide				Short-term Disability coverage (employee paid), minimal contractual fee if any			\$ -
Citywide				Long-Term Care Insurance (employee paid), minimal contractual fee if any			\$ -
City Clerk	Minutes Clerk				Handle DRB and PC, future Recreation Commission and HRB (0.5 FTE)		\$ 30,000
CS	Restoration of Maintenance Worker I			Restores street and facility maintenance service levels to 2009 and improves safety of crew working in ROW.	Street and Facility Maintenance		\$ 60,000
PES	"City" Energy Coordinator		SSRRC (Systems Safety Reliability & Review Committee)	Active Function vs Collateral Duty	Manage Energy Project Permitting, Safety Audits & Drills		\$ 100,000
	Dep./Assistant Attorney				Additional Legal Resource	\$ 175,000	
			Consulting Attorney for Overflow Land Use Review / Consulting Attorney for Environmental Issues			\$ 25,000	\$ 50,000

Department/ Program	Additional Staff Needs	Additional Boards	Additional Contract/ Consultant Needs	Benefits	Function of Position/Service	One-Time Est. Expense	On-going Est. Expense
			Litigation Attorney for Environmental Issues			\$ 250,000	
Recreation		Recreation Commission					\$ 12,000
Recreation	Recreation Department						\$ 500,000
CC				Ellwood Property Acquisition		\$ 500,000	
CS				Girsh Park Funding			\$ 200,000
CS	Park Ranger				Someone to oversee the management of open spaces		\$ 100,000
CS				Parks Master Plan		\$ 200,000	
CS			Facility Reserve Fund	Annual transfer into the FRF will allow for long- term maintenance of existing City facilities.	Facility Maintenance	\$ 100,000	\$ 100,000
AS					One-time or ongoing support for Library thru revenue augmentation from the General Fund	\$ 52,500	\$ 52,500
CC				Community Grant Program		\$ 50,000	
CC				Further Funding Support for Outside Programs		\$ 50,000	
CC				Support for Cultural Activities (Old Town Days)		\$ 30,000	
PES/RDA		Historic Preservation Board					\$ 20,000
PES/RDA, NS and PS	Housing Coordinator			Oversight of Housing Covenants & Enforcement	Housing Element; Consolidated Plan		\$ 100,000
RDA/NS/PS	Parking Enforcement Officer			Could generate revenues to City		\$ 30,000	\$ 120,000
RDA/NS/PS	Restoration of 1 police officer						\$ 200,000

Department/ Program	Additional Staff Needs	Additional Boards	Additional Contract/ Consultant Needs	Benefits	Function of Position/Service	One-Time Est. Expense	On-going Est. Expense
CM			Legislative Advocate Service	Increase appropriations to the City and protect local revenues and controls	Based in Sacramento	\$ 50,000	
CM/RDA			Support for Economic Development Activities			\$ 50,000	
PES/RDA	Economic Development Coordinator/Assistant		Economic Development Coordinator / Grant Coordinator	Costs could be offset by Grant Funds	Third party analysis of pro formas, assistance with negotiating Development Agreements		\$ 120,000
Citywide			Digital Records Management			\$ 95,000	
Citywide			Digital Permit Tracking System			\$ 300,000	\$ 30,000
PES			Web-based filing of Permits				
TOTAL						\$ 1,957,500	\$ 2,470,500