



## **SALES TAX CITIZENS' OVERSIGHT COMMITTEE**

**Antioch Council Chambers  
200 "H" Street**

**MAY 8, 2014  
4:00 P.M.**

### **ROLL CALL**

Committee Members: Joseph O. Adebayo  
Melvin Chappel  
Ralph Garrow  
Barbara Herendeen  
Hansel Ho  
Salvatore Sbranti  
Catherine Walker

Staff Liaison: Dawn Merchant, Finance Director

### **PLEDGE OF ALLEGIANCE**

### **PUBLIC COMMENTS**

### **ITEMS**

#### **1. Committee Formation and Duties**

##### **Actions:**

STAFF REPORT

1. Motion to receive and file report
2. Motion to elect a Chair and Vice Chair of the Sales Tax Citizens' Oversight Committee
3. Motion to establish a meeting schedule, location and any other meeting procedures

#### **2. Measure C Budget Information**

- Informational report only

STAFF REPORT

## **PUBLIC COMMENTS**

## **WRITTEN/ORAL COMMUNICATIONS**

## **ADJOURNMENT**

### **Notice of Availability of Reports**

This agenda is a summary of the discussion items/actions proposed to be taken by the Sales Tax Citizens' Oversight Committee. Materials provided regarding the agenda items will be available at the following website: <http://www.ci.antioch.ca.us/CityGov/Agendas/default.asp> or at the City of Antioch Finance Department located on the 1<sup>st</sup> floor of City Hall, 200 H Street, Antioch, CA 94509, Monday through Thursday, for inspection and copying (for a fee). Copies are also made available at the Antioch Public Library for inspection. The meetings are accessible to those with disabilities. Auxiliary aides will be made available for persons with hearing or vision disabilities upon request in advance at (925) 779-7009 or TDD (925) 779-7081.

### **Notice of Opportunity to Address the Committee**

The public has the opportunity to address the Committee on each agenda item. To address the Committee, fill out a yellow Speaker Request form, available on each side of the entrance doors, and place in the Speaker Card Tray. This will enable us to call upon you to speak. Each speaker is limited to not more than 3 minutes. Comments regarding matters not on this Agenda may be addressed during the "Public Comments" section on the agenda. No one may speak more than once on an agenda item or during "Public Comments".

***PLEASE TURN OFF CELL PHONES BEFORE ENTERING COUNCIL CHAMBERS.***

**REPORT TO THE SALES TAX CITIZENS' OVERSIGHT COMMITTEE  
FOR THE MAY 8, 2014 MEETING**

**FROM:** Lynn Tracy Nerland, Antioch City Attorney *Lynn Tracy Nerland*  
**DATE:** April 30, 2014  
**SUBJECT:** **Sales Tax Citizens' Oversight Committee: Formation and Duties**

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**ACTIONS:**

1. Motion to receive and file report;
2. Motion to elect a Chair and Vice-Chair of Sales Tax Citizens' Oversight Committee; and
3. Motion to establish a meeting schedule, location and any other meeting procedures.

**BACKGROUND:**

**Sales Tax Ordinance and Ballot Measure C**

On June 25, 2013, the Antioch City Council declared a fiscal emergency, adopted Ordinance No. 2068-C-S, and called for an election for the voters to consider a ballot measure to adopt a temporary one-half cent sales tax (transaction and use tax) to fund all essential Antioch City services including police and code enforcement. The Antioch electorate approved the ballot measure (Measure C) by 68.09% on November 5, 2013.

Ordinance 2068-C-S (Attachment A) followed a standard format from the State Department of Equalization, but included the creation of a Citizens' Oversight Committee:

Section 3-5.416. CITIZENS' OVERSIGHT COMMITTEE. A Citizens' Oversight Committee shall be established to review the receipt and expenditure of the revenue from this transactions and use tax, including the annual auditor's report. The Committee's review shall be completed in conjunction with the City's budget process. The Committee's report on its review, whether oral or written, shall be considered by the City Council at a public meeting. Any written report shall be a matter of public record. The Committee shall consist of seven members who shall be Antioch residents. The terms of the Committee members may be staggered but no term shall be less than two years. The City Council may adopt a resolution regarding the appointment of the Committee members and more specific duties of the Committee.

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Once the ballot measure passed, the City Council adopted Resolution 2013/73 (Attachment B) which set forth further direction on the creation and role of the Committee:

1. Pursuant to Ordinance No. 2068-C-S, the Sales Tax Citizens' Oversight Committee shall be composed of 7 Antioch residents serving staggered terms. Four members of the Committee shall be appointed to 4-year terms and 3 members shall be appointed to 2-year terms.
2. Members of Sales Tax Citizens' Oversight Committee are not prohibited from serving on other City Boards, Commissions or Committees.
3. At least one member of the Sales Tax Citizens' Oversight Committee shall have a financial, accounting or auditing background.
4. The Sales Tax Citizens' Oversight Committee shall review the receipt and expenditures of the increased sales tax amount and report publicly to the City Council as part of the City's budget process. During the Committee's first year, it shall meet at least three times publicly and in subsequent years at least two times publicly to receive information from the Finance Director, including the annual audit, and then shall provide a report, either written or oral, to the City Council by April 1 each year. The report shall indicate how the funds are being used to address the City Council's stated priorities of public safety and code enforcement.
5. The Sales Tax Citizens' Oversight Committee shall be subject to the Brown Act (requiring noticing of its public meetings) and the Committee members shall be subject to the Political Reform Act requiring disclosure of economic interests.
6. The Finance Director shall be the City staff liaison to the Sales Tax Citizens' Oversight Committee.
7. The Mayor and Council Budget Committee Member (or one other Council Member if the Budget Committee Member is not available) shall interview applicants for the Sales Tax Citizens' Oversight Committee. The Mayor shall appoint and the City Council approve by majority vote all appointments to the Sales Tax Citizens' Oversight Committee.

Accordingly, the role of the Sales Tax Citizens' Oversight Committee is to review the expenditures from Measure C and make a report to the City Council by April 1 of each year as part of the City's budget process. At this point, the Measure C funds are just starting to be collected as of April 1, 2014 and the City will not begin receiving them from the State until June 2014. Therefore, this meeting of the Committee is more focused on establishment for future activities.

## **Laws and Procedures Governing the Oversight Committee**

As an initial comment, the Antioch City Attorney represents the City of Antioch and not just the Sales Tax Citizens' Oversight Committee and not any individual Committee Member. The following information is provided as background to the Committee and summarizes some of the information that the City Attorney provided in memo format to the Committee on April 3, 2014.

### **Brown Act, Public Records Act and Political Reform Act**

The Committee is subject to the Brown Act (written public notice of public meetings at which the public can attend and comment), Public Records Act (materials provided to the Committee are public records) and Political Reform Act (disclosure of economic interests and disqualification of economic interests that create a conflict of interest). All Committee Members need to complete the A.B. 1234 Ethics training and submit FFPC Form 700, Statement of Economic Interests.

### **Meeting Procedures**

The Antioch Municipal Code says that in the absence of a state law or ordinance on a point of procedure, "Robert's Rules of Order, Revised" shall be used to decide a point of procedure. Robert's Rules were established years ago and with larger groups in mind such as Congress. Therefore, they can be somewhat confusing and arcane. Fundamentally, any rules of order are meant to create an atmosphere in which a meeting can be conducted efficiently, fairly and with full participation. Therefore, the basic concepts are that:

- One person speaks at a time;
- Every speaker is recognized by the Chair before speaking; and
- The Chair is responsible for keeping the discussion on point.

Under Robert's Rules of Order, and consistent with State law, before the Committee can act, it must have a sufficient number of its members present. For this seven-member Committee, a quorum is 4 members present.

A proposed course of action is presented formally as a motion. A motion should be seconded to ensure that more than one Committee Member is interested in discussing it. Debate on a motion can continue as long as the Committee wishes. At some point during the debate, someone may make a motion to limit debate by saying: "I move the question," or "I call for the question." What this motion is really saying is "I've had enough debate. Let's get on with the vote."

Decisions are generally made by majority vote with the caveat of needing 4 affirmative votes (the quorum for a seven-member Committee or 3 affirmative votes

for the five-member Council) pursuant to the Municipal Code. A tie vote means the motion fails. Thus, for this seven-member Committee, a vote of 4-3 passes the motion, but a 3-3 vote with one absence, disqualification or abstention means the motion fails.

### Election of a Chair and Vice Chair

Although not mandated, it is recommended that the Committee elect a Chair, and possibly a Vice Chair, to assist with the orderly conduct of a meeting. However, a majority of the Committee (4 members) are still needed for the Committee to take any action. No one Committee member can take action or speak for the Committee without approval of a majority of the Committee.

The Chair (or Vice Chair in the Chair's absence) sets the tone of a meeting by keeping the discussion on track, encouraging fairness, and working to bring the Committee to the point of decision. The Chair must think quickly to articulate positions, clarify motions, give direction to staff, and try to bring forward a consensus.

It is common practice for the Chair to take a less active role in debates and discussions. This does not mean that the Chair should not participate. On the contrary, the Chair has full rights to participate in discussions. However, the Chair typically offers his or her opinions last and would not make or second a motion unless convinced that no other member of the Committee will do so.

### Meeting Schedule

The Finance Director has suggested that the Committee meet in December and February of each year in order to receive the budget and audit information needed for the Committee to make a report to the City Council by April 1.

Staff suggests a meeting in the City Council Chambers the third Thursday of December at 4:00 p.m. (December 18, 2014) and the fourth Thursday of February at 4:00 p.m. (February 26, 2015). Given the less routine nature of this schedule, staff would contact the Committee members ahead of time to confirm that a quorum will be in attendance and work with the Chair to reschedule the meeting if necessary.

City staff will prepare and post the agendas for the Committee's meetings ahead of time in conformance with the Brown Act. Following City Council direction, the agenda and attached materials will be provided electronically as much as possible to reduce the City's carbon footprint/landfill. City staff will prepare an Annotated Agenda following each meeting to memorialize the actions taken by the Committee.

### **ATTACHMENTS:**

- A. Ordinance No. 2068-C-S
- B. Resolution No. 2013/73

**ORDINANCE NO. 2068-C-S****AN ORDINANCE OF THE CITY OF ANTIOCH  
IMPOSING A TRANSACTIONS AND USE TAX TO BE  
ADMINISTERED BY THE STATE BOARD OF EQUALIZATION**

The City Council of the City of Antioch does ordain as follows:

**SECTION 1. ADDITION TO THE MUNICIPAL CODE.** Article 4 is added to Chapter 5 of Title 3 of the Antioch Municipal Code to read as follows:

***ARTICLE 4: TRANSACTIONS AND USE TAX***

Section 3-5.401. **TITLE.** This article shall be known as the "Antioch Transactions and Use Tax Ordinance." The city of Antioch hereinafter shall be called "City." This article shall be applicable in the incorporated territory of the City.

Section 3-5.402. **OPERATIVE DATE.** "Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance.

Section 3-5.403. **PURPOSE.** This article is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

A. To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.9 of Part 1.7 of Division 2 which authorizes the City to adopt this tax ordinance which shall be operative if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefore that can be administered and collected by the State Board of Equalization in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the State Board of Equalization in administering and collecting the California State Sales and Use Taxes.

D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this article.

Section 3-5.404. CONTRACT WITH STATE. Prior to the Operative Date, the City shall contract with the State Board of Equalization to perform all functions incident to the administration and operation of this transactions and use tax article; provided, that if the City shall not have contracted with the State Board of Equalization prior to the operative date, it shall nevertheless so contract and in such a case the Operative Date shall be the first day of the first calendar quarter following the execution of such a contract.

Section 3-5.405. TRANSACTIONS TAX RATE. For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the City at the rate of one-half of one percent (.50%) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this article.

Section 3-5.406. PLACE OF SALE. For the purposes of this article, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

Section 3-5.407. USE TAX RATE. An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the Operative Date of this article for storage, use or other consumption in said territory at the rate of one-half of one percent (.50%) of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

Section 3-5.408. ADOPTION OF PROVISIONS OF STATE LAW. Except as otherwise provided in this article and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this article as though fully set forth herein.

Section 3-5.409. LIMITATIONS ON ADOPTION OF STATE LAW AND COLLECTION OF USE TAXES. In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this City shall be substituted therefor. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Board of Control, State Board of Equalization, State Treasury, or the Constitution of the State of California;



2. The result of that substitution would require action to be taken by or against this City or any agency, officer, or employee thereof rather than by or against the State Board of Equalization, in performing the functions incident to the administration or operation of this article.

3. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

B. The word "City" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

Section 3-5.410. PERMIT NOT REQUIRED. If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this article.

Section 3-5.411. EXEMPTIONS AND EXCLUSIONS.

A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

2. Sales of property to be used outside the City which is shipped to a point outside the City, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee

at such point. For the purposes of this paragraph, delivery to a point outside the City shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-City address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

b. With respect to commercial vehicles, by registration to a place of business out-of-City and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this article.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this article.

5. For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

C. There are exempted from the use tax imposed by this article, the storage, use or other consumption in this City of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this article.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this article.

5. For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph (7), a retailer engaged in business in the City shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the City or participates within the City in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the City or through any representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority of the retailer.

7. "A retailer engaged in business in the City" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the City.

D. Any person subject to use tax under this article may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

Section 3-5.412. AMENDMENTS.

A. All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this article, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this article.

B. Pursuant to California Elections Code section 9217 or any successor statute, the City Council of the City of Antioch may amend or repeal this article, but not increase or extend the rate of tax imposed by the article, without the approval of the voters of the City of Antioch voting on such question.

Section 3-5.413. ENJOINING COLLECTION FORBIDDEN. No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the City, or against any officer of the State or the City, to prevent or enjoin the collection under this article, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

Section 3-5.414. USE OF TAX PROCEEDS. All proceeds of the tax levied and imposed under this article shall be paid into the General Fund for use by the City of Antioch.

Section 3-5.415. ANNUAL AUDIT. By no later than December 31<sup>st</sup> of each year, the City's independent auditors shall complete a financial audit report to include the revenue raised and expended by this tax to be reflected in the City's budget.

Section 3-5.416. CITIZENS' OVERSIGHT COMMITTEE. A Citizens' Oversight Committee shall be established to review the receipt and expenditure of the revenue from this transactions and use tax, including the annual auditor's report. The Committee's review shall be completed in conjunction with the City's budget process. The Committee's report on its review, whether oral or written, shall be considered by the City Council at a public meeting. Any written report shall be a matter of public record. The Committee shall consist of seven members who shall be Antioch residents. The terms of the Committee members may be staggered but no term shall be less than two years. The City Council may adopt a resolution regarding the appointment of the Committee members and more specific duties of the Committee.

Section 3-5.417. TERMINATION DATE. The authority to levy the tax imposed by this article shall expire seven (7) years from the Operative Date.

**SECTION 2. SEVERABILITY.** If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

**SECTION 3. CEQA.** This transactions and use tax to be submitted to the voters is a general tax that can be used for any legitimate governmental purpose. As such, under CEQA Guidelines section 15378(b)(4), the tax is not a project within the meaning of CEQA because it creates a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant impact on the environment. Therefore, under CEQA Guidelines section 15060, review under CEQA is not required.

**SECTION 4. EFFECTIVE DATE.** This ordinance relates to the levying and collecting of the City's transactions and use taxes and shall not take effect until approved by the majority of the voters voting at the general municipal election to be held on November 5, 2013.

**SECTION 5. CERTIFICATION; PUBLICATION.** Upon approval by the voters, the City Clerk shall certify to the passage and adoption of this Ordinance and shall cause it to be published according to law and transmitted to the Board of Equalization.

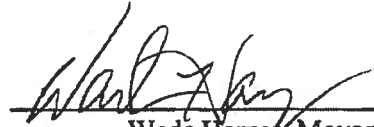
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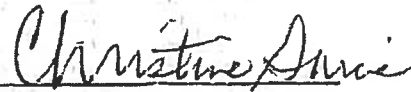
INTRODUCED by the City Council of the City of Antioch on May 28, 2013 and PASSED AND ADOPTED by the City Council of the City of Antioch on June 25, 2013, by the following vote:

AYES: Council Members Wilson, Rocha, Tiscareno, Agopian and Mayor Harper

NOES: None

ABSENT: None

  
Wade Harper, Mayor

Attest:   
for Arne Simonsen, City Clerk

Ordinance No. 2068-C-S was submitted to the People of the City of Antioch at the November 5, 2013 special municipal election. It is hereby certified that this Ordinance was APPROVED by the following vote of the People of Antioch:

YES: 7,609

NO: 3,566

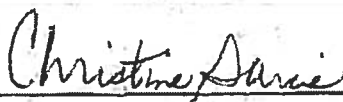
This Ordinance was thereby adopted by the voters at the November 5, 2013 election and took effect upon adoption of a resolution declaring the results of the election at a regular meeting of the City Council held on November 26, 2013 by the following vote:

AYES: Council Members Wilson, Rocha, Tiscareno, Agopian and Mayor Harper

NOES: None

ABSENT: None

I hereby certify that the foregoing is a true and correct copy of an ordinance duly and regularly adopted by the People of the City of Antioch, California.

  
for Arne Simonsen, City Clerk

RESOLUTION NO. 2013/66

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ANTIOCH  
CONFIRMING CANVASS BY THE COUNTY CLERK OF CONTRA COSTA  
OF BALLOTS CAST AT THE CONSOLIDATED ELECTION HELD ON  
NOVEMBER 5, 2013 FOR BALLOT MEASURE C  
"RESTORING ANTIOCH SERVICES SALES TAX"

**WHEREAS**, the County Clerk of Contra Costa County, pursuant to the request of the City Clerk for the City of Antioch, has duly canvassed the votes cast in the Consolidated Election held on November 5, 2013 as hereinafter set forth and has certified to this City Council the results of the votes cast, certification of which is now on file in the office of the Antioch City Clerk for the election of the Ballot Measure "Restoring Antioch Services Sales Tax (Measure C)" (Exhibit 1); and

**WHEREAS**, Ballot Measure C is to adopt a temporary one-half cent transaction and use (sales) tax to fund all essential City services as set forth in the attached Ordinance No. 2068-C-S (Exhibit 2).

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Antioch that the canvass of votes by the County Clerk as shown by the certification and the results shown thereby are hereby ratified, confirmed and approved, and the votes cast for the measure as shown in "Exhibit 1".

**IT IS THEREFORE, FURTHER RESOLVED** as follows:

"Restoring Antioch Services Sales Tax (Measure C)" (Exhibit 2) was approved.

\* \* \* \* \*

**I HEREBY CERTIFY** that the foregoing Resolution was duly passed and adopted by the City Council of the City of Antioch at a regular meeting thereof held on the 26th day of November, 2013, by the following vote:

**AYES:** Council Members Wilson, Rocha, Tiscareno, Agopian and Mayor Harper

**NOES:** None

**ABSENT:** None

*Christina Simonsen*  
for ARNE SIMONSEN  
CITY CLERK OF THE CITY OF ANTIOCH

## RESOLUTION NO. 2013/73

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ANTIOCH  
ESTABLISHING PROCEDURES FOR THE SALES TAX CITIZENS' OVERSIGHT  
COMMITTEE CREATED PURSUANT TO ORDINANCE NO. 2068-C-S**

**WHEREAS**, given concerns about service levels in light of the City's significant revenue declines due in part to the national economic recession and housing market crisis, the City Council unanimously declared a Fiscal Emergency, adopted Ordinance No. 2068-C-S, and called for an election on November 5, 2013 for the voters to consider a ballot measure to adopt a temporary one-half cent Transactions and Use (Sales) Tax to fund all essential Antioch City services including police and code enforcement; and

**WHEREAS**, on November 5, 2013, the Antioch electorate approved the ballot measure by 68.09%; and

**WHEREAS**, the results of the election were certified by the City pursuant to Resolution No. 2013/66 on November 26, 2013; and

**WHEREAS**, Section 3-5.416 of Ordinance No. 2068-C-S (the Sales Tax Ordinance) adopted by the City Council and approved by the voters requires the creation of a Citizens' Oversight Committee and provides that the City Council may adopt a resolution regarding the appointment of the Committee members and more specific duties of the Committee;

**NOW, THEREFORE BE IT RESOLVED** by the City Council of the City of Antioch that:

1. Pursuant to Ordinance No. 2068-C-S, the Sales Tax Citizens' Oversight Committee shall be composed of 7 Antioch residents serving staggered terms. Four members of the Committee shall be appointed to 4-year terms and 3 members shall be appointed to 2-year terms.
2. Members of Sales Tax Citizens' Oversight Committee are not prohibited from serving on other City Boards, Commissions or Committees.
3. At least one member of the Sales Tax Citizens' Oversight Committee shall have a financial, accounting or auditing background.
4. The Sales Tax Citizens' Oversight Committee shall review the receipt and expenditures of the increased sales tax amount and report publicly to the City Council as part of the City's budget process. During the Committee's first year, it shall meet at least three times publicly and in subsequent years at least two times publicly to receive information from the Finance Director, including the annual audit, and then shall provide a report, either written or oral, to the City Council by April 1 each year.

The report shall indicate how the funds are being used to address the City Council's stated priorities of public safety and code enforcement.

5. The Sales Tax Citizens' Oversight Committee shall be subject to the Brown Act (requiring noticing of its public meetings) and the Committee members shall be subject to the Political Reform Act requiring disclosure of economic interests.
6. The Finance Director shall be the City staff liaison to the Sales Tax Citizens' Oversight Committee.
7. The Mayor and Council Budget Committee Member (or one other Council Member if the Budget Committee Member is not available) shall interview applicants for the Sales Tax Citizens' Oversight Committee. The Mayor shall appoint and the City Council approve by majority vote all appointments to the Sales Tax Citizens' Oversight Committee.

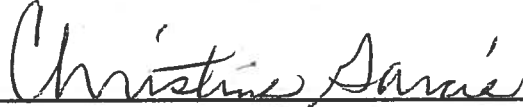
\* \* \* \*

**I HEREBY CERTIFY** that the foregoing resolution was passed and adopted by the City Council of the City of Antioch at a regular meeting thereof, held on the 10th day of December, 2013, by the following vote:

**AYES:** Council Members Wilson, Rocha, Tiscareno, Agopian and Mayor Harper.

**NOES:** None.

**ABSENT:** None.

  
\_\_\_\_\_  
for **ARNE SIMONSEN**  
**CITY CLERK OF THE CITY OF ANTIOCH**



**STAFF REPORT TO THE SALES TAX CITIZENS' OVERSIGHT COMMITTEE AT THE MEETING OF MAY 8, 2014**

Prepared By: Dawn Merchant, Finance Director

Date: April 29, 2014

Subject: Measure C Budget Information

**DISCUSSION**

On March 25, 2014, City Council was presented a first draft of the General Fund budget, including Measure C. The draft budget was again presented and discussed on April 8, 2014. The following budget was presented and discussed in relation to Measure C:

**CHART A**

|   | <b>June 30,<br/>2014</b> | <b>June 30,<br/>2015</b> | <b>June 30,<br/>2016</b> | <b>June 30,<br/>2017</b> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Projected Fund Balance July 1,</b>     | <b>\$10,109,883</b>      | <b>\$7,887,249</b>       | <b>\$8,087,590</b>       | <b>\$7,138,029</b>       |
| <b>Revenues:</b>                          |                          |                          |                          |                          |
| Taxes                                     | 28,382,304               | 29,659,478               | 30,526,663               | 31,463,673               |
| <b>Taxes – Measure C</b>                  | <b>0</b>                 | <b>4,489,747</b>         | <b>4,579,540</b>         | <b>4,762,722</b>         |
| Licenses & Permits                        | 1,161,006                | 1,157,500                | 1,157,500                | 1,177,500                |
| Fines & Penalties                         | 45,112                   | 35,100                   | 35,100                   | 40,000                   |
| Investment Income & Rentals               | 495,415                  | 498,510                  | 503,410                  | 512,680                  |
| Revenue from Other Agencies               | 348,450                  | 452,000                  | 532,000                  | 580,476                  |
| Current Service Charges                   | 1,950,871                | 2,146,880                | 2,160,148                | 2,167,215                |
| Other Revenue                             | 866,610                  | 824,040                  | 854,040                  | 614,040                  |
| Transfers In                              | 3,734,473                | 3,761,471                | 3,783,898                | 3,839,376                |
| <b>Total Revenues</b>                     | <b>\$36,984,241</b>      | <b>\$43,024,726</b>      | <b>\$44,132,299</b>      | <b>\$45,157,682</b>      |
| <b>Expenditures:</b>                      |                          |                          |                          |                          |
| Legislative & Administrative              | 1,121,493                | 640,039                  | 654,284                  | 636,019                  |
| Finance                                   | 36,964                   | 38,700                   | 43,180                   | 38,213                   |
| Nondepartmental                           | 624,361                  | 782,349                  | 801,470                  | 848,945                  |
| Public Works                              | 5,976,206                | 6,211,567                | 6,305,767                | 6,424,241                |
| Police Services                           | 27,956,371               | 27,923,456               | 27,900,169               | 31,321,130               |
| <b>Police Services – Measure C</b>        | <b>0</b>                 | <b>3,291,110</b>         | <b>5,452,327</b>         | <b>4,592,090</b>         |
| Police Services – Animal Support          | 490,900                  | 523,815                  | 547,102                  | 563,515                  |
| Recreation/Community Services             | 799,390                  | 830,002                  | 846,796                  | 872,200                  |
| Community Development                     | 2,201,190                | 2,419,447                | 2,368,815                | 2,374,973                |
| <b>Code Enforcement – Measure C</b>       | <b>0</b>                 | <b>163,900</b>           | <b>161,950</b>           | <b>170,632</b>           |
| <b>Total Expenditures</b>                 | <b>\$39,206,875</b>      | <b>\$42,824,385</b>      | <b>\$45,081,860</b>      | <b>\$47,841,958</b>      |
| <b>Net</b>                                | <b>(2,222,634)</b>       | <b>\$200,341</b>         | <b>(\$949,561)</b>       | <b>(\$2,684,276)</b>     |
| <b>Projected Fund Balance June 30,</b>    | <b>\$7,887,249</b>       | <b>\$8,087,590</b>       | <b>\$7,138,029</b>       | <b>\$4,453,753</b>       |
| Committed for Police Services – Measure C | 0                        | 1,034,737                | 0                        | 0                        |
| Committed for Compensated Absences        | 98,586                   | 115,000                  | 115,000                  | 115,000                  |
| Committed for Litigation Reserve          | 500,000                  | 500,000                  | 500,000                  | 500,000                  |
| <b>Unassigned Reserve %</b>               | <b>19.71%</b>            | <b>14.96%</b>            | <b>14.78%</b>            | <b>8.50%</b>             |

## CHART B

| <b>Police Department Measure C Funding</b> |                               |                               |                                |
|--|-------------------------------|-------------------------------|--------------------------------|
|  | <b>Police<br/>Budget FY15</b> | <b>Police Budget<br/>FY16</b> | <b>Police Budget<br/>FY17*</b> |
| <b>13/14 Baseline Budget</b>               | \$28,447,271                  | \$28,447,271                  | \$28,447,271                   |
| Measure C projection                       | 4,325,847                     | 4,417,590                     | 4,592,090                      |
| Measure C carryover                        | 0                             | 1,034,737                     | 0                              |
| <b>Budget Allotment</b>                    | 32,773,118                    | 33,899,598                    | 33,039,361                     |
| Proposed/projected                         | 31,738,381                    | 33,899,598                    | 37,312,293                     |
| <b>Difference under/(over) budget</b>      | <b>\$1,034,737</b>            | <b>\$0</b>                    | <b>(\$4,272,932)</b>           |

\*The proposed/projected budget has been revised since April 8<sup>th</sup> with Council direction to increase staffing to 104 sworn (this has not been updated in Chart A on previous page).

As discussed with the City Council, Measure C revenues will be allocated directly to the Police and Code Enforcement budgets in the General Fund. Projected Measure C revenues are being allocated to Code Enforcement in an amount equal to the cost of hiring one additional contract code enforcement officer, additional equipment needed for this position, and allocation of 20% more of the Deputy Director of Community Development's staff time for code enforcement matters, for a total of \$163,900. This leaves \$4,325,847 to be allocated to the Police Department budget as reflected in Chart B above. This amount is being added to what the Police Department budget is for the current fiscal year to provide a total budget allotment for the Police Department for the upcoming fiscal year (2014-15) of \$32,773,118.

The proposed budget for fiscal year 2014-15 is based on 97 sworn positions, with the addition of 1.5 new non-sworn positions. This results in a budget carryover being added to the Police budget in fiscal year 2015-16 on top of the projected annual Measure C revenue. Fiscal year 2015-16 is based upon 100 sworn positions and 2016-17 is based upon 104. The Chief of Police will have the discretion for the best use of the funds to achieve public safety goals, for example it may be more efficient to hire a Community Service Officer in lieu of a sworn position. In addition, more vehicles and safety equipment may be needed as well, which will reduce how much can be spent on staffing.

A meeting of the Oversight Committee will be held in December to provide more detailed budget to actual information for the Police Department and Code Enforcement. Staffing and hiring updates will also be provided for the Police Department.

### **ATTACHMENTS**

- A. March 25, 2014 Budget Staff Report to the City Council
- B. April 8, 2014 Budget Staff Report to the City Council

## **STAFF REPORT TO THE ANTIOCH CITY COUNCIL FOR CONSIDERATION AT THE MEETING OF MARCH 25, 2014**

Prepared by: Dawn Merchant, Finance Director

Reviewed by: Steve Duran, City Manager

Date: March 13, 2014

Subject: Budget Development Fiscal Years 2014-16

### **RECOMMENDATION**

Provide direction and feedback to staff regarding the budget information provided.

### **SUMMARY**

This study session is the first of several to begin building the fiscal year 2014-2015 budget and review projections for the fiscal year 2015-2016 budget.

### **BACKGROUND**

The purpose of this study session is to start a preliminary review of the General Fund, as well as the Recreation and Animal Services Special Revenue Funds and Prewett Enterprise Fund as subsidies to these programs are integral to the General Fund budget. We are projecting to finish fiscal year 2014-2015 with just over \$7.98M in fund balance, without utilizing reserves. The 2014-2015 budget as presented in Chart C represents full year funding of all vacancies in the General Fund and we expect there will be savings to further increase the fund balance (reserves) in this upcoming fiscal year. It is important to present staffing as fully funded in order to see a clear picture of the full impact to the General Fund and what it can afford to bear.

Projections for fiscal year 2015-2016 and 2016-2017 are also provided for the General Fund in Chart C to better analyze where we are headed based on actions to date. While we are not adopting a 2015-2016 or 2016-2017 budget at this time, the Council needs to be aware of the potential for projected General Fund deficits, based on preliminary estimates.

### **GENERAL FUND**

#### **June 30, 2014**

Current fiscal year projections indicate a fund balance of \$7.86M, which is higher than projected with the adoption of the fiscal year 2013-2014 budget. This equates to an unassigned fund balance of 19.66% which exceeds the fund balance policy target of 15%. While this may sound like good news, it is important to note that revenues are projected to be just shy of \$37M, which is still \$10.3M short of pre-recession levels. Although the City has been successful in building up the fund balance since the recession began through severe cuts and employee concessions, fiscal year 2013-2014 is seeing the end of

one-time revenues that have been band aids for the City's economic crisis. While departments have revised their budgets for this year to account for as much anticipated expenditure savings (including vacancies) as possible, we are projecting deficit spending of \$2.24M for 2013-2014. A discussion of each of the next two fiscal years follows.

### **June 30, 2015**

Projected revenues in fiscal year 2014-2015 have increased \$5,956,588 over fiscal year 2013-2014. The major factor contributing to this increase is Measure C, the half cent sales tax approved to take effect April 1, 2014. We have conservatively budgeted \$4,489,747 for the fiscal year until actual figures can be seen. Measure C revenue is segregated on the General Fund table that follows later in the report (Chart C) and is being allocated to Police Department and Code Enforcement expenditures as directed by the City Council. This is also segregated out on the table as well. Other assumptions included in fiscal year 2014-2015 are:

- 5% increase in property tax revenue with an additional \$450,000 estimated from the northeast annexation representing a half year of property tax revenue from the annexation, with a full year represented in fiscal year 2015-2016.
- 1.8% increase in sales tax revenue.
- APOA and APSMA are entitled to a salary increase between a minimum of 2% and a maximum of 4.25% based on the existing four-city formula September 1, 2014. The budget assumes a 3% increase.
- PERS employer contribution rate of 26.25% for miscellaneous and 34.255% for safety, representing a 2.563% increase in the miscellaneous rate and 2.575% increase for safety.
- Increased cafeteria benefit cost of 8% for APOA and APSMA bargaining groups, with 4% for all others.
- Increased workers compensation premiums of 20%.
- Continue to fund medical after retirement and police supplementary retirement plans on pay as you go basis.
- Continue to fund street light electricity costs out of Gas Tax.
- Existing elected official voluntary reductions continue.
- Furloughs still in place (\$662,765 cost to General Fund to reinstate and \$1.47M citywide).
- Continue to fund vehicle replacement account with non-General Fund sources only.
- Earthquake insurance for Prewett, City Hall and Police Facility (estimate cost of insurance to be approximately \$125,000). **Staff recommends reinstating earthquake coverage on these facilities and is requesting Council concurrence.**
- Library facility maintenance funding of \$135,000. For the past several years, this funding has been paid out of the Residential Development Allocation Fund. In fiscal year 2013-2014, that funding source was depleted and the full cost will have to be paid out of the General Fund. **Staff recommends Council consider whether or not to continue funding this maintenance.**
- Payment of \$300,000 to the Office Equipment Replacement and Vehicle Replacement Funds towards the \$1.5M borrowed in fiscal year 2009-2010 to help

balance the budget. This was discussed with Council earlier in the year to be repaid over five years, with fiscal year 2013-2014 being the first year.

- **Code Enforcement:**
  - Increase the time allocation of Deputy Director of Community Development from 40% to 60% for Code Enforcement, funding the additional 20% with Measure C. Shift responsibility for Recreation to other staff.
  - Hiring of one more contract code enforcement position to be funded by Measure C.
- **Police:**
  - Allocate remainder of Measure C to Police Department.
  - Sworn officer funding of 97 for fiscal year 2014-2015 (this may be adjusted at the discretion of the Chief of Police to other non-sworn positions such as CSO's).
  - Funding of Police Communications Supervisor (not funded in fiscal year 2013-2014).
  - Funding of Senior Administrative Assistant in the Police Department (not funded in fiscal year 2013-2014).
- **Other (non Measure C) staffing adjustments:**
  - The Human Resources Technician was split 50/50 between the Police and Human Resources. We are proposing to put 100% of the position back into Human Resources. Human Resources has identified \$42,000 in cost savings to help offset the cost.
  - Funding of an Associate Planner in Community Development to assist with the increased workload. This is almost cost neutral due to contracts ending for the Northeast Annexation and that being re-directed to funding for this position.
  - Remove funding of Chief Building Official and continue to pay existing employee special assignment pay when performing some of these duties.
  - Reclassification of the following positions to better reflect job duties (which also result in minor increases to personnel costs):
    - Human Resources Director to Administrative Services Director.
    - Administrative Analyst in Economic Development to Economic Development Program Manager.
    - Secretary in the Planning Department to Community Development Technician, Assistant Level
    - Changes to Recreation staffing as discussed on page 8.

### Measure C

Measure C was passed by the voters in November 2013 for “Restoring Antioch Services”. City Council has directed that the funds will be used to enhance Police and Code Enforcement activities, with the goal of putting more police and code enforcement officers on the street. Although 102 sworn positions have been authorized, the General Fund has not been able to support that level of staffing due to the financial hardships the City has been facing since 2009. Sworn staffing has hovered in the 80 FTE range in the last several years. Significant vacancy savings in the police department realized each year since 2009 have helped the City close the budget gap. In fact, vacancies for 19 sworn positions were accounted for in the fiscal year 2013-2014 budget.

In the fiscal year 2014-2015 budget, we are using the revised fiscal year 2013-2014 budget for the Police Department as the starting point for fiscal year 2014-2015 and adding projected Measure C revenue for the total budget allotment for police services in total (including the Animal Services subsidy). This is shown in Chart A.

### CHART A

| <b>Police Department Measure C Funding</b> |                               |                               |                               |
|--|-------------------------------|-------------------------------|-------------------------------|
|  | <b>Police<br/>Budget FY15</b> | <b>Police Budget<br/>FY16</b> | <b>Police Budget<br/>FY17</b> |
| <b>13/14 Baseline Budget</b>               | \$28,447,271                  | \$28,447,271                  | \$28,447,271                  |
| Measure C projection                       | 4,325,847                     | 4,417,590                     | 4,592,090                     |
| Measure C carryover                        | 0                             | 561,856                       | 0                             |
| <b>Budget Allotment</b>                    | 32,773,118                    | 33,426,717                    | 33,039,361                    |
| Proposed/projected                         | 32,211,262                    | 33,901,135                    | 36,474,230                    |
| <b>Difference under/(over) budget</b>      | <b>\$561,856</b>              | <b>(\$474,418)</b>            | <b>(\$3,434,869)</b>          |

In fiscal year 2014-2015 projected expenditures in Chart A, based upon staffing for 100 sworn, are under the total allocated spending threshold for the Police Department. However, based upon Chart A, the projected Police Department budget increases for fiscal year 2015-2016 and 2016-2017 exceed the projected Measure C revenues for those years. In fiscal year 2016-2017, Police Department costs are projected to significantly exceed General Fund base plus Measure C projected revenues.

Rather than spending all 2014-2015 Measure C funds in fiscal year 2014-2015, we are proposing to reduce staffing to 97 sworn in 2014-2015 and carry-forward a larger amount of unused Measure C funds to the next fiscal year to add to the fiscal year 2015-2016 spending allocation to increase staffing to 100 sworn, thereby balancing the next two fiscal years of budget allotment (shown in Chart B). This method of carrying forward the allocation ensures that expenditures are first applied to General Fund general revenues and then to Measure C. It will then be at the discretion of the Chief of Police to determine the staffing model that will best utilize allocated funds for maximum impact to safety in the City. The Chief is in the best position to determine the most effective mix of sworn officers, CSO's and other Police Department staff.

### CHART B

| <b>Police Department Measure C Funding</b> |                               |                               |                               |
|--|-------------------------------|-------------------------------|-------------------------------|
|  | <b>Police<br/>Budget FY15</b> | <b>Police Budget<br/>FY16</b> | <b>Police Budget<br/>FY17</b> |
| <b>13/14 Baseline Budget</b>               | \$28,447,271                  | \$28,447,271                  | \$28,447,271                  |
| Measure C projection                       | 4,325,847                     | 4,417,590                     | 4,592,090                     |
| Measure C carryover                        | 0                             | 1,036,274                     | 0                             |
| <b>Budget Allotment</b>                    | 32,773,118                    | 33,901,135                    | 33,039,361                    |
| Proposed/projected                         | 31,736,844                    | 33,901,135                    | 36,474,230                    |
| <b>Difference under/(over) budget</b>      | <b>\$1,036,274</b>            | <b>\$0</b>                    | <b>(\$3,434,869)</b>          |

The City Council will need to decide, based on the overall General Fund budget, if they will dip into declining reserves or slow down the growth of the Police Department budget so that the additional Measure C funds, on top of the 2013-2014 base General Fund allocation, is sustainable beyond the next two years. The City Manager and Finance Director strongly recommend, at minimum, balancing the two year Police Department budget projection (as presented in Chart B) by effecting Measure C savings in fiscal year 2014-2015 and carrying these savings forward so that fiscal year 2015-16 is balanced. Otherwise, the City will continue with a structural deficit and General Fund reserves will dip dangerously low, necessitating lay-offs at that point.

The fiscal year 2014-2015 budget allocates \$163,900 of Measure C funding to Code Enforcement. This represents funding of one more contract code enforcement officer with necessary equipment (for a total of 3) and 20% more staffing allocation of the Deputy Community Development Director to the program.

### **June 30, 2016**

Revenues are projected to increase 2.7% over fiscal year 2014-2015. While we are projecting a 5% increase in property tax, most other revenue sources continue to remain fairly flat.

Expenditures are projected to increase approximately \$2.25M above fiscal year 2014-2015 to \$45,052,049. This is mainly due projected salary increases in the Police Department, rising PERS and health care costs, rising insurance and other contractual costs.

Assumptions included in fiscal year 2015-2016 are:

- Overall 5.4% increase in personnel costs.
- PERS employer contribution rate of 28.3% for miscellaneous and 36.7% for safety, representing a 2.05% increase in the miscellaneous rate and 2.445% increase for safety.
- Work furloughs still maintained.
- Existing elected official voluntary reductions still in place.
- Continue to fund medical after retirement and police supplementary retirement plan benefits on a pay as you go basis.
- Maintain funded staffing levels from fiscal year 2014-2015.
- Continue to fund vehicle replacement account with non-General Fund sources only.
- Earthquake insurance for Prewett, City Hall and Police Facility at an estimated cost of \$137,500.
- Library maintenance funding of \$140,000.
- Payment of \$300,000 to the Office Equipment Replacement and Vehicle Replacement Funds towards the \$1.5M borrowed in fiscal year 2009-2010 to help balance the budget.

## Projections

The revised fiscal year 2013-2014, proposed budget for fiscal year 2014-2015 and current projections for the following two fiscal years are presented in Chart C below.

**CHART C**

|   | June 30,<br>2014    | June 30,<br>2015    | June 30,<br>2016    | June 30,<br>2017     |
|---|---------------------|---------------------|---------------------|----------------------|
| <b>Projected Fund Balance July 1,</b>     | <b>\$10,109,883</b> | <b>\$7,867,023</b>  | <b>\$7,984,052</b>  | <b>\$7,004,131</b>   |
| <b>Revenues:</b>                          |                     |                     |                     |                      |
| Taxes                                     | 28,362,078          | 29,639,043          | 30,506,020          | 31,442,822           |
| <b>Taxes – Measure C</b>                  | <b>0</b>            | <b>4,489,747</b>    | <b>4,579,540</b>    | <b>4,762,722</b>     |
| Licenses & Permits                        | 1,161,006           | 1,157,500           | 1,157,500           | 1,177,500            |
| Fines & Penalties                         | 45,112              | 35,100              | 35,100              | 40,000               |
| Investment Income & Rentals               | 495,415             | 498,510             | 503,410             | 512,680              |
| Revenue from Other Agencies               | 348,450             | 452,000             | 532,000             | 580,476              |
| Current Service Charges                   | 1,950,871           | 2,146,938           | 2,160,106           | 2,167,215            |
| Other Revenue                             | 866,610             | 824,040             | 854,040             | 614,040              |
| Transfers In                              | 3,734,473           | 3,677,725           | 3,744,412           | 3,799,890            |
| <b>Total Revenues</b>                     | <b>\$36,964,015</b> | <b>\$42,920,603</b> | <b>\$44,072,128</b> | <b>\$45,097,345</b>  |
| <b>Expenditures:</b>                      |                     |                     |                     |                      |
| Legislative & Administrative              | 1,121,493           | 626,012             | 631,290             | 610,333              |
| Finance                                   | 36,964              | 38,001              | 42,479              | 37,784               |
| Nondepartmental                           | 624,361             | 780,267             | 796,280             | 838,125              |
| Public Works                              | 5,976,206           | 6,209,966           | 6,304,168           | 6,422,744            |
| Police Services                           | 27,956,371          | 27,923,456          | 27,900,169          | 31,318,625           |
| <b>Police Services – Measure C</b>        | <b>0</b>            | <b>3,289,573</b>    | <b>5,453,864</b>    | <b>4,592,090</b>     |
| Police Services – Animal Support          | 490,900             | 523,815             | 547,102             | 563,515              |
| Recreation/Community Services             | 799,390             | 830,002             | 846,796             | 872,200              |
| Community Development                     | 2,201,190           | 2,418,582           | 2,367,951           | 2,374,076            |
| <b>Code Enforcement – Measure C</b>       | <b>0</b>            | <b>163,900</b>      | <b>161,950</b>      | <b>170,632</b>       |
| <b>Total Expenditures</b>                 | <b>\$39,206,875</b> | <b>\$42,803,574</b> | <b>\$45,052,049</b> | <b>\$47,800,124</b>  |
| <b>Net</b>                                | <b>(2,242,860)</b>  | <b>\$117,029</b>    | <b>(\$979,921)</b>  | <b>(\$2,702,779)</b> |
| <b>Projected Fund Balance June 30,</b>    | <b>\$7,867,023</b>  | <b>\$7,984,052</b>  | <b>\$7,004,131</b>  | <b>\$4,301,352</b>   |
| Committed for Police Services – Measure C | 0                   | 1,036,274           | 0                   | 0                    |
| Committed for Compensated Absences        | 98,586              | 115,000             | 115,000             | 115,000              |
| Committed for Litigation Reserve          | 500,000             | 500,000             | 500,000             | 500,000              |
| <b>Unassigned Reserve %</b>               | <b>19.66%</b>       | <b>14.75%</b>       | <b>14.50%</b>       | <b>8.17%</b>         |

As you can see, we are projecting to balance the budget next year and then deficit spend in fiscal years 2015-2016 and 2016-2017. This is due to several factors: small projected increases in the major sources of revenues; previously negotiated salary increases; increases in insurance premiums; projected increases in PERS rates. Expenditures are only going to continue to rise and significantly for PERS contributions in future years beginning in fiscal year 2016-2017. New assumptions were adopted by CalPERS in 2014 to take effect in fiscal year 2016-2017 and will have a significant impact to all agencies throughout California beginning in that fiscal year. We are estimating a 4.6% rate increase in safety (for a total rate of 41.3%) and 3.5% increase in miscellaneous (for a total rate of 31.8%) employer contributions over fiscal year 2015-2016.



The projections for fiscal years 2015-2016 and 2016-2017 are working baseline estimates for planning purposes and continued vacancy and other savings may significantly lessen the deficits. The City needs to use these projections to chart our course going forward to determine funding priorities as we continue with the strategic planning process that has begun. We need to look for long term stability.

### **OTHER FUNDS**

The Recreation Fund, Prewett Water Park Fund and Animal Services Fund all receive operating subsidies from the General Fund thus it is important to review them in conjunction with the General Fund. The budget summaries are presented next.

#### **Recreation & Prewett Water Park Funds**

| <b>Recreation Fund 219</b>        |                  |                  |                  |
|-----------------------------------|------------------|------------------|------------------|
|                                   | <b>2013-14</b>   | <b>2014-15</b>   | <b>2015-16</b>   |
|                                   | <b>Revised</b>   | <b>Proposed</b>  | <b>Projected</b> |
| <b>Beginning Balance, July 1</b>  | <b>\$70,518</b>  | <b>\$104,613</b> | <b>\$153,953</b> |
| <b>Revenue Source:</b>            |                  |                  |                  |
| Investment Income                 | 1,000            | 100              | 100              |
| Revenue from Other Agencies       | 13,000           | 13,000           | 13,000           |
| Current Service Charges           | 1,078,450        | 1,157,450        | 1,207,450        |
| Other                             | 35,300           | 35,000           | 35,000           |
| Transfer in from General Fund     | 494,650          | 577,002          | 579,796          |
| Transfer in from Senior Bus       | 7,700            | 7,700            | 7,700            |
| Transfer in from Child Care Fund  | 35,000           | 35,000           | 35,000           |
| <b>Total Revenue</b>              | <b>1,665,100</b> | <b>1,825,252</b> | <b>1,878,046</b> |
| <b>Expenditures:</b>              |                  |                  |                  |
| Personnel                         | 799,538          | 946,314          | 976,063          |
| Services & Supplies               | 821,426          | 819,448          | 821,359          |
| Transfers Out                     | 10,041           | 10,150           | 10,259           |
| <b>Total Expenditures</b>         | <b>1,631,005</b> | <b>1,775,912</b> | <b>1,807,681</b> |
| <b>Ending Balance, June 30(a)</b> | <b>\$104,613</b> | <b>\$153,953</b> | <b>\$224,318</b> |

(a) Fund balance maintained for monies collected for Sports Field, Memorial Field and Turf Field maintenance and replacement.

| <b>Prewett Water Park Fund 641</b> |                            |                             |                              |
|------------------------------------|----------------------------|-----------------------------|------------------------------|
|                                    | <b>2013-14<br/>Revised</b> | <b>2014-15<br/>Proposed</b> | <b>2015-16<br/>Projected</b> |
| <b>Beginning Balance, July 1</b>   | <b>\$319</b>               | <b>\$417</b>                | <b>\$945</b>                 |
| <b>Revenue Source:</b>             |                            |                             |                              |
| Interest Earnings                  | 300                        | 300                         | 300                          |
| Current Service Charges            | 931,700                    | 938,700                     | 938,700                      |
| Other Revenue                      | 1,577                      | 500                         | 500                          |
| Transfer in from General Fund      | 304,740                    | 253,000                     | 267,000                      |
| Transfer in from Child Care Fund   | 35,000                     | 35,000                      | 35,000                       |
| <b>Total Revenue</b>               | <b>1,273,317</b>           | <b>1,227,500</b>            | <b>1,241,500</b>             |
| <b>Expenditures:</b>               |                            |                             |                              |
| Personnel                          | 640,601                    | 614,662                     | 630,020                      |
| Services & Supplies                | 623,075                    | 602,664                     | 602,259                      |
| Transfers Out                      | 9,543                      | 9,646                       | 9,750                        |
| <b>Total Expenditures</b>          | <b>1,273,219</b>           | <b>1,226,972</b>            | <b>1,242,029</b>             |
| <b>Ending Balance, June 30</b>     | <b>\$417</b>               | <b>\$945</b>                | <b>\$416</b>                 |

The Recreation and Prewett Water Park Funds have a combined subsidy from the General Fund of \$830,002 in fiscal year 2014-2015. This is \$30,612 higher than the current fiscal year with only a moderate increase projected in fiscal year 2015-2016. The increase is due primarily to staffing changes being proposed for the Recreation Department. Currently, oversight falls under Community Development with direct supervision provided by the Deputy Community Development Director. Staff feels that this department would be better served by having a full time Parks & Recreation Director that can concentrate on running programs more efficiently and cost effectively. The budget tables presented above reflect staffing changes as follows:

- Parks & Recreation Director funded 50% from each fund. This classification does not currently exist and will have to be brought back to Council with a job specification and salary range.
- Removing oversight by the Deputy Community Development Director which is currently charged a total of .20 between the two funds.
- Removal of 1 recreation supervisor and 1 recreation specialist position currently funded and vacant.
- Addition of funding for 1 Aquatics Maintenance Worker, replacing a position currently funded with part time help.
- Addition of funding for 1 Recreation Coordinator, replacing a position currently funded with part time help.

Animal Control Fund

| <b>Animal Control Fund 214</b>   |                 |                 |                  |
|----------------------------------|-----------------|-----------------|------------------|
|                                  | <b>2013-14</b>  | <b>2014-15</b>  | <b>2015-16</b>   |
|                                  | <b>Revised</b>  | <b>Proposed</b> | <b>Projected</b> |
| <b>Beginning Balance, July 1</b> | <b>\$11,592</b> | <b>\$0</b>      | <b>\$0</b>       |
| <b>Revenue Source:</b>           |                 |                 |                  |
| Current Service Charges          | 300,000         | 295,000         | 295,000          |
| Investment Income                | 14              | 0               | 0                |
| Revenue from Other Agencies      | 74,000          | 70,000          | 70,000           |
| Other Revenue                    | 11,914          | 11,000          | 11,000           |
| Transfer in from General Fund    | 490,900         | 523,815         | 547,102          |
| <b>Total Revenue</b>             | <b>876,828</b>  | <b>899,815</b>  | <b>923,102</b>   |
| <b>Expenditures:</b>             |                 |                 |                  |
| Personnel                        | 615,343         | 638,197         | 661,130          |
| Services & Supplies              | 272,516         | 261,051         | 261,399          |
| Transfers Out                    | 561             | 567             | 573              |
| <b>Total Expenditures</b>        | <b>888,420</b>  | <b>899,815</b>  | <b>923,102</b>   |
| <b>Ending Balance, June 30</b>   | <b>\$0</b>      | <b>\$0</b>      | <b>\$0</b>       |

The subsidy from the General Fund is moderately projected to increase over the current fiscal year mainly due to projected salary increases. Staffing is proposed at the same level. However, the current staffing authorizes 3.75 FTE's for Animal Care Attendants which are filled by several part time temporary employees and one permanent part-time employee. These positions are being changed to strictly part-time temporary employees, as the permanent part-time designation is an anomaly and inappropriate for the staffing model.

**NEXT STEPS**

Staff will be bringing forth budgets for remaining funds of the City for Council deliberation, including the five year capital improvement program. The final budget document incorporating all budgets that have been presented will be brought for Council approval on June 10, 2014.

**OPTIONS**

1. Provide direction to staff regarding the budget information provided.

## **STAFF REPORT TO THE ANTIOCH CITY COUNCIL FOR CONSIDERATION AT THE MEETING OF APRIL 8, 2014**

Prepared by: Dawn Merchant, Finance Director

Reviewed by: Steve Duran, City Manager

Date: April 1, 2014

Subject: Budget Development Fiscal Years 2014-16

### **RECOMMENDATION**

Provide direction and feedback to staff regarding the budget information provided.

### **SUMMARY**

This study session continues the budget study session from March 25, 2014 centering on budget development for the General Fund, Recreation Fund, Prewett Water Park Fund and Animal Control Fund.

### **BACKGROUND AND DISCUSSION**

The City is projecting a significant structural deficit over the next several years and is on a course to deplete General Fund reserves. The use of all Measure C funds for Police Services and Code Enforcement as directed by the City Council does not address this issue and, in fiscal year 2016-17, the level of deficit spending is projected to be \$2.7M, reducing the General Fund reserve to \$4.45M. The budget projections presented in Attachment A show the reserves running dangerously low in fiscal year 2018-19 and fully depleted in 2019-20. The projections are based on a 4% per year increase in costs and a 5% per year increase in revenues after fiscal year 2016-17. The 2016-17 costs include increases in PERS for changes in actuarial assumptions that are being phased in over five years and are projected to increase PERS rates an additional 1.5% for Miscellaneous and 2.5% for Safety beyond the normal estimated rate increases. These cost estimates do not include additional potential health premium increases due to the new regions PERS is considering for the health plans. No financial impact information has been provided by PERS at this time, but if these new regions are approved we know that the rates will be higher starting January 1, 2015.

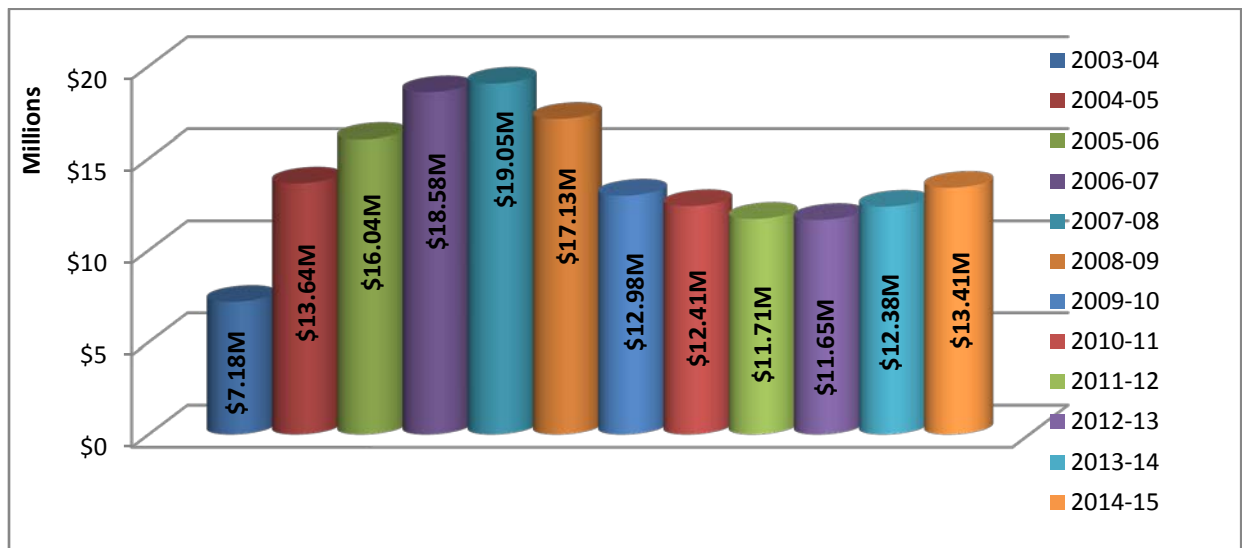
Staff does not recommend any deficit spending. However, given the direction on the use of Measure C funds, it is essential to at least slow the pace of deficit spending. Staff's recommended budget slows the pace of deficit spending by using any increases in non-Measure C sources of revenue to reduce the structural deficit. This is a very optimistic approach, hoping that the City can buy enough time for the current wave of development applications to bring forth development that will increase property tax, sales tax and Measure C revenues significantly enough to avoid significant lay-offs about three years down the road. Attachment A to this report shows the impacts of deficit spending on future budgets and projecting the depletion of the

General Fund reserve. It also compares projected balances to the recommended minimum unassigned fund balance equivalent to two months of operating expenditures to provide a level of financial stability and cash flow. The minimum balance is recommended by the Government Finance Officers Association, an organization that provides financial and accounting guidance to government entities.

At the study session on the 25<sup>th</sup>, several items were discussed by the City Council and requested to be brought back with more information. Specifically:

- 1) Property Tax revenue history prior to fiscal year 2006-2007 to reflect what the City was receiving before the “bubble”. The history demonstrates that the City needs more development to increase our property tax and assessed values still have not returned to pre-recession levels. Please see the chart below for fiscal years 2003-04 through 2014-15:

**Property Tax History 2003-04 through 2014-15**



The chart reflects a significant increase in property tax revenues from 2003-04 to 2004-05. On August 5, 2004 the governor signed SB 1096, Chapter 211, Statutes of 2004 which reduced the Vehicle License Fee (VLF) rate from 2% to .65%. When this reduction was instituted, the difference was replaced with a like amount in the form of additional property taxes to cities. Fiscal year 2004-05 was the first year of receiving this “Property Tax in Lieu of VLF” , which accounts for some of the large increase shown above. The amount received under this formula increases annually in proportion to the growth in assessed valuation in the jurisdiction. Fiscal year 2014-15 includes the first year of revenue from the Northeast Annexation, estimated at \$450,000 in this first year representing 50% of the annual estimate due to the timing of when the annexation was completed. Building permits issued prior to 2007 were as follows:

**Building Permits Issued**

| <b>Calendar Year</b> | <b>Single Family Units</b> | <b>Multi-Family Units</b> |
|----------------------|----------------------------|---------------------------|
| 2004                 | 124                        | 140                       |
| 2005                 | 350                        |                           |
| 2006                 | 172                        | 40                        |
| 2007                 | 154                        |                           |
| <b>Total</b>         | <b>800</b>                 | <b>180</b>                |

- 2) Overtime costs incurred by City staff as a result of being on furloughs. Total General Fund non-police department overtime incurred in fiscal year 2012-13 was \$32,199. Departments have indicated that the time is attributable to both furlough and non-furlough reasons and it is difficult to segregate out the cost attributable to each.
- 3) Information on the repercussions of not paying for library maintenance costs. Staff is still researching this question and will provide information at the meeting on the 8<sup>th</sup> if available; otherwise it will be brought back at a future meeting.
- 4) Police sworn staffing was 82 thirty days prior to the November election.
- 5) Total personnel cost of all police sworn and non-sworn staffing hired in the last four months. Seven Police Officers and one CSO have been hired since November 1<sup>st</sup>. Current annual salary and benefit costs are \$1,024,585 for the seven Officers and \$98,975 for the CSO. However, there has also been salary savings which have occurred through attrition, with 6 total sworn positions having separated since November 1<sup>st</sup>.
- 6) How many Officers could the Police allocated Measure C revenue fund? We are projecting \$4,325,847 in Measure C revenue allocation to the Police Department in fiscal year 2014-15. The amount of Officers this could fund varies on the step the Officer would come in as (A, B, C, etc.), whether they are a “classic” or “PEPRA” PERS employee, what extra compensation the Officer may receive, and what level of benefit coverage they are entitled to. For purposes of this analysis to make it as least complicated as possible, we used the salary of a lateral Officer at Step E receiving the highest level of extra compensation and benefits possible (educational, senior Officer, family cafeteria benefits) and then lateral Step C and a new Officer at Step A for a comparison range (based on fiscal year 2014-15 budgeted salary costs). The cost does not include costs that may be incurred for shift differential, field training, standby pay, holiday pay, bilingual pay or additional overtime. These additional costs could increase the cost per Officer. Each new Officer also has hiring costs that are paid for recruitment/background, uniform and safety equipment. The breakdown of these costs is itemized on the next page.

| <b>Hiring Cost Item</b>                      | <b>Amount for Lateral Hire</b> | <b>Amount for Entry Level Hire</b> |
|--|--------------------------------|------------------------------------|
| Polygraph/Background/Psychological/Medical   | \$3,550                        | \$3,550                            |
| Uniform                                      | 1,700                          | 1,700                              |
| Academy Uniform                              | 0                              | 380                                |
| Academy Tuition                              | 0                              | 4,385                              |
| Salary & Benefits for Academy Student        | 0                              | 39,335                             |
| FTO additional salary (8 wks lateral/20 new) | 1,255                          | 3,055                              |
| Safety & Other Equipment                     | 4,610                          | 5,380                              |
| <b>Total Cost Per Hire</b>                   | <b>\$11,115</b>                | <b>\$57,785</b>                    |

This next table details the total cost per officer with hiring costs, and how many positions that equates to.

| <b>Officer level &amp; Salary</b> | <b>Total Hiring Costs</b> | <b>Total Cost per Officer</b> | <b>Potential # of Officers</b> |
|-----------------------------------|---------------------------|-------------------------------|--------------------------------|
| Step E, lateral = \$208,850       | \$11,115                  | \$219,965                     | 19                             |
| Step C, lateral = \$192,445       | 11,115                    | 203,560                       | 21                             |
| Step A, new = \$154,400           | 57,785                    | 212,185                       | 20                             |

It is important to note that such a significant increase in the amount of officers may require additional senior sworn staff, vehicles, equipment, support staff, etc. which are not accounted for in the table above and will impact the number of Officers that can ultimately be hired as the funds may need to be directed to other staffing and equipment needs besides just the hiring of patrol officers.

- 7) A static General Fund base budget is being proposed for the Police budget because the General Fund is running a significant structural deficit. Since all Measure C funds are going to increase Police and Code Enforcement spending, any non-Measure C revenue increases are being used to reduce that deficit.
- 8) Costs for all staffing proposals outlined on March 25<sup>th</sup>.
  - In accordance with the existing labor agreements, Antioch Police Sworn Management Association (APSMA) and Antioch Police Officers Association (APOA) salary increases are projected at 3% effective September 1, 2014 at a budgeted cost of \$514,220. The cost may be higher or lower depending on the analysis of the four city formula done at that time. The minimum salary increase will be 2% and the maximum 4.25%. Council would have to direct the City's labor negotiators to request APSMA and APOA to open their contracts in order to discuss forgoing this increase. There is a Re-opener Clause in the APSMA agreement, so only a written request to meet and confer would be required. The APOA agreement does not contain a Re-opener Clause, and would therefore require the consent of the bargaining unit to initiate discussions.
  - Reclassification of Human Resources Director to Administrative Services Director to reflect work assignments. This results in additional costs of \$8,805 (of which

\$4,904 is annual salary and the remainder is benefit costs). Although this job classification and salary range would need to be established, the proposal is to establish the range at the same level as the Finance Director.

- Reclassification of Administrative Analyst in Economic Development to Economic Development Program Manager to reflect work assignments. This results in additional costs of \$16,716 (of which \$4,190 is annual salary and the remainder is benefit costs). However, this classification will be exempt from overtime, creating a savings to offset some of these costs. This job classification and salary range would need to be established so the actual cost could be more depending on the salary range. The cost represents the salary equivalent of a Senior Planner, Step D, in the Management Bargaining Unit.

The following matrix outlines all staffing adjustments proposed that fall under the umbrella of Community Development with the total net impact to the budget.

**Community Development Staffing Proposals**

| Description  | Cost/(Savings)     |
|--|--------------------|
| Associate Planner  | \$113,780          |
| Contract for Northeast Annexation (savings to offset Associate Planner)                      | (112,520)          |
| Reclassification of Secretary to Community Development Technician                            | 3,773              |
| Chief Building Official (remove funding - existing employee continue to perform some duties) | (153,320)          |
| 20% of Deputy Director of Community Development to Code Enforcement - Measure C funding      | (33,700)           |
| Parks & Recreation Director*   | 214,625            |
| Recreation Supervisor (remove funding)   | (103,740)          |
| Recreation Specialist (remove funding)   | (93,970)           |
| Aquatics Maintenance Worker  | 87,195             |
| Recreation Coordinator   | 65,500             |
| Part-Time Help reductions (Recreation/Waterpark staffing)                                    | (105,345)          |
| <b>Net Savings of all Staffing Proposals</b>   | <b>(\$117,722)</b> |

\*Job classification and salary range would need to be established therefore the cost figure is an estimate only

As demonstrated above, the staffing adjustments proposed in Community Development actually result in a net savings to the City of \$117,722 overall. Adding the above noted costs of the reclassifications outside of Community Development, the net savings to the City remains **\$92,201**.

- 9) The cost of a Business License Representative at Step A would be \$73,600. Staff does not feel the potential increase in fees from being able to more thoroughly enforce collections would offset the cost of this position as the base business license fee is only \$25. However, staff feels it may be more cost effective to outsource collection efforts to a company that could find undiscovered business licenses. These companies charge a fee based on what is collected and fees typically range from 30-40% of collected revenues.



**PROJECTIONS**

Since the meeting on the 8<sup>th</sup>, a few adjustments have been made to the 2014-15 proposed budget figures; the estimate for earthquake insurance was increased to \$150,000, reduction of the library maintenance cost to \$112,082 based on a letter received from the County, costs for OES training, adjustment of lighting and landscape transfers based upon the draft engineers report, as well as some other minor adjustments. As in the past couple of budget years, the budget also assumes that the City continues to provide reduced maintenance levels for trails and paths throughout the City, including recreational trails, bike paths, parks, and the trail at the Marina and along the river waterfront. The City could close these trails and paths to avoid possible liability, but Council has given prior direction to keep these trails and paths open despite declining levels of maintenance given the immunities provided by the Government Claims Act for trails and paved walkways. Language, the same included in the prior year budget resolution, will be in the resolution on June 10<sup>th</sup> memorializing this assumption.

Chart A reflects an update to the chart provided at the previous meeting showing June 30, 2014 revised, June 30, 2015 proposed and projections for 2015-16 and 2016-17 budget for the General Fund. Chart B reflects the proposed Police Department budget with the addition of Measure C funding and Attachment A to the staff report is a projection for the General Fund going out to 2021-22. Assumptions for 2017-18 and beyond assume a 5% increase in revenues and a 4% increase in expenditures annually.

## CHART A

|   | June 30,<br>2014    | June 30,<br>2015    | June 30,<br>2016    | June 30,<br>2017     |
|---|---------------------|---------------------|---------------------|----------------------|
| <b>Projected Fund Balance July 1,</b>     | <b>\$10,109,883</b> | <b>\$7,887,249</b>  | <b>\$8,087,590</b>  | <b>\$7,138,029</b>   |
| <b>Revenues:</b>                          |                     |                     |                     |                      |
| Taxes                                     | 28,382,304          | 29,659,478          | 30,526,663          | 31,463,673           |
| <b>Taxes – Measure C</b>                  | <b>0</b>            | <b>4,489,747</b>    | <b>4,579,540</b>    | <b>4,762,722</b>     |
| Licenses & Permits                        | 1,161,006           | 1,157,500           | 1,157,500           | 1,177,500            |
| Fines & Penalties                         | 45,112              | 35,100              | 35,100              | 40,000               |
| Investment Income & Rentals               | 495,415             | 498,510             | 503,410             | 512,680              |
| Revenue from Other Agencies               | 348,450             | 452,000             | 532,000             | 580,476              |
| Current Service Charges                   | 1,950,871           | 2,146,880           | 2,160,148           | 2,167,215            |
| Other Revenue                             | 866,610             | 824,040             | 854,040             | 614,040              |
| Transfers In                              | 3,734,473           | 3,761,471           | 3,783,898           | 3,839,376            |
| <b>Total Revenues</b>                     | <b>\$36,984,241</b> | <b>\$43,024,726</b> | <b>\$44,132,299</b> | <b>\$45,157,682</b>  |
| <b>Expenditures:</b>                      |                     |                     |                     |                      |
| Legislative & Administrative              | 1,121,493           | 640,039             | 654,284             | 636,019              |
| Finance                                   | 36,964              | 38,700              | 43,180              | 38,213               |
| Nondepartmental                           | 624,361             | 782,349             | 801,470             | 848,945              |
| Public Works                              | 5,976,206           | 6,211,567           | 6,305,767           | 6,424,241            |
| Police Services                           | 27,956,371          | 27,923,456          | 27,900,169          | 31,321,130           |
| <b>Police Services – Measure C</b>        | <b>0</b>            | <b>3,291,110</b>    | <b>5,452,327</b>    | <b>4,592,090</b>     |
| Police Services – Animal Support          | 490,900             | 523,815             | 547,102             | 563,515              |
| Recreation/Community Services             | 799,390             | 830,002             | 846,796             | 872,200              |
| Community Development                     | 2,201,190           | 2,419,447           | 2,368,815           | 2,374,973            |
| <b>Code Enforcement – Measure C</b>       | <b>0</b>            | <b>163,900</b>      | <b>161,950</b>      | <b>170,632</b>       |
| <b>Total Expenditures</b>                 | <b>\$39,206,875</b> | <b>\$42,824,385</b> | <b>\$45,081,860</b> | <b>\$47,841,958</b>  |
| <b>Net</b>                                | <b>(2,222,634)</b>  | <b>\$200,341</b>    | <b>(\$949,561)</b>  | <b>(\$2,684,276)</b> |
| <b>Projected Fund Balance June 30,</b>    | <b>\$7,887,249</b>  | <b>\$8,087,590</b>  | <b>\$7,138,029</b>  | <b>\$4,453,753</b>   |
| Committed for Police Services – Measure C | 0                   | 1,034,737           | 0                   | 0                    |
| Committed for Compensated Absences        | 98,586              | 115,000             | 115,000             | 115,000              |
| Committed for Litigation Reserve          | 500,000             | 500,000             | 500,000             | 500,000              |
| <b>Unassigned Reserve %</b>               | <b>19.71%</b>       | <b>14.96%</b>       | <b>14.78%</b>       | <b>8.50%</b>         |

## CHART B

| <b>Police Department Measure C Funding</b> |                               |                               |                               |
|--|-------------------------------|-------------------------------|-------------------------------|
|  | <b>Police<br/>Budget FY15</b> | <b>Police Budget<br/>FY16</b> | <b>Police Budget<br/>FY17</b> |
| <b>13/14 Baseline Budget</b>               | \$28,447,271                  | \$28,447,271                  | \$28,447,271                  |
| Measure C projection                       | 4,325,847                     | 4,417,590                     | 4,592,090                     |
| Measure C carryover                        | 0                             | 1,034,737                     | 0                             |
| <b>Budget Allotment</b>                    | 32,773,118                    | 33,899,598                    | 33,039,361                    |
| Proposed/projected                         | 31,738,381                    | 33,899,598                    | 36,476,735                    |
| <b>Difference under/(over) budget</b>      | <b>\$1,034,737</b>            | <b>\$0</b>                    | <b>(\$3,437,374)</b>          |

While we are projecting a balanced budget in the next fiscal year, expenditures are projected to grow at a quicker pace than anticipated revenues causing deficit spending in fiscal year 2015-16, with the trend continuing in 2016-17 and beyond. It is imperative to be cognizant of the projected deficits in all budget decisions made to ensure the General Fund remains financially stable to avoid future severe cuts to services which are already at bare minimum levels.

There are a few items Council direction is still needed on regarding the General Fund budget:

- Earthquake Insurance for Council Chambers, City Hall and Police Facility at an estimated cost of \$150,000 (included in budget projections in Chart A and Attachment A).
- Library facility maintenance at an estimated cost of \$112,082 (included in budget projections in Chart A and Attachment A).
- Proposed staffing adjustments.

### **NEXT STEPS**

Staff will be bringing forth budgets for remaining funds of the City for Council deliberation. The final budget document will be brought for Council approval on June 10<sup>th</sup>.

### **ATTACHMENT**

- A. General Fund Projections

### General Fund Projections

|  | 2013-14            | 2014-15            | 2015-16            | 2016-17            | 2017-18            | 2018-19            | 2019-20              | 2020-21              | 2021-22              |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|----------------------|
| Beginning Fund Balance                       | \$10,109,883       | \$7,887,249        | 8,087,590          | \$7,138,029        | \$4,453,753        | \$2,113,683        | \$154,166            | (\$1,385,868)        | (\$2,464,747)        |
| Total Revenues                               | 36,984,241         | 43,024,726         | 44,132,299         | 45,157,682         | 47,415,566         | 49,786,344         | 52,275,661           | 54,889,444           | 57,633,916           |
| Total Expenditures                           | 39,206,875         | 42,824,385         | 45,081,860         | 47,841,958         | 49,755,636         | 51,745,861         | 53,815,695           | 55,968,323           | 58,207,056           |
| <b>Surplus/(Deficit)</b>                     | <b>(2,222,634)</b> | <b>200,341</b>     | <b>(949,561)</b>   | <b>(2,684,276)</b> | <b>(2,340,070)</b> | <b>(1,959,517)</b> | <b>(1,540,034)</b>   | <b>(1,078,879)</b>   | <b>(573,140)</b>     |
| <b>Ending Fund Balance</b>                   | <b>\$7,887,249</b> | <b>\$8,087,590</b> | <b>\$7,138,029</b> | <b>\$4,453,753</b> | <b>\$2,113,683</b> | <b>\$154,166</b>   | <b>(\$1,385,868)</b> | <b>(\$2,464,747)</b> | <b>(\$3,037,887)</b> |
| Committed                                    | 598,586            | 1,649,737          | 615,000            | 615,000            | 615,000            | 115,000            | 0                    | 0                    | 0                    |
| Unassigned Fund Balance                      | \$7,288,663        | \$6,437,853        | \$6,523,029        | \$3,838,753        | \$1,498,683        | \$39,166           | (\$1,385,868)        | (\$2,464,747)        | (\$3,037,887)        |
| Recommended minimum unassigned fund balance* | \$6,534,479        | \$7,137,398        | \$7,513,643        | \$7,973,660        | \$8,292,606        | \$8,624,310        | \$8,969,283          | \$9,328,054          | \$9,701,176          |
| over/(under)                                 | \$754,184          | (\$699,544)        | (\$990,614)        | (\$4,134,907)      | (\$6,793,923)      | (\$8,585,144)      | (\$10,355,150)       | (\$11,792,801)       | (\$12,739,063)       |

\*The Government Finance Officers Association recommends cities maintain unassigned fund balance/reserves equal to **at least** two months of operating expenditures.