

## BUDGET OVERVIEW

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The B Section of the FY 2014-15 Annual Budget serves as an Executive Summary to the budget document with an emphasis on the General Fund and an Organization-Wide Budget Summary.

The following information is presented in this section:

- **Structural Analysis of the General Fund** – This subsection compares ongoing revenues with ongoing expenditures in the General Fund.
- **General Fund Revenues** – This subsection tracks changes in General Fund revenues.
- **General Fund Expenditures** – This subsection tracks General Fund expenditures.
- **General Fund Contingencies & Reserves** – This subsection looks at General Fund contingencies and reserves.
- **Organization-Wide Budget Summary** – This subsection summarizes information presented in the C Section, D Section, and E Section of the Annual Budget document.

## BUDGET OVERVIEW

### GENERAL FUND

Areas addressed include the structural analysis of the General Fund, ongoing and one-time revenues & resources, adjustments to expenditures (general increases and new requests), and contingencies & reserves.

#### Structural Analysis of the General Fund

The proposed FY 2014-15 Annual Budget continues the trend of the past several years of “belt-tightening” without layoffs; however, we are starting to see “the light at the end of the tunnel” as the economy continues its steady growth. It is important to recognize that the proposed FY 2014-15 General Fund has a structural operating deficit of (\$759,100). The structural operating deficit is calculated by subtracting ongoing expenditures from ongoing revenues, and it does not take into account “bridge” funding. In 2005 it was anticipated that the Walmart project would bring in ongoing revenues of \$1.1 million per year. If that project were to begin generating that amount as of July 1, 2014, as the FY 2013-14 Budget assumed, the General Fund would be structurally balanced for FY 2014-15. Walmart is under construction and slated to open about April of 2015. This delay, as well as costs that are out of the City’s control such as PERS, health insurance, and Workers’ Compensation are also contributing to the FY 2014-15 structural imbalance.

As reflected in the summary table below, structural status of the General Fund evolved over the past three years as the economy deteriorated, and the state eliminated the RDA. Ongoing Expenditures have hovered around \$9.6 million, but are expected to climb to about \$10.1 million in FY 2014-15. On the other hand, Ongoing Revenues are picking up as the economy continues its steady upward climb, and they are growing at a faster rate, in part due to including three months of Walmart Sales Tax revenues.

#### General Fund Structural Analysis

<u>Budget Activity</u>	<u>FY 12/13</u> <u>Actual</u>	<u>FY 13/14</u> <u>Amended</u>	<u>FY 13/14</u> <u>Estimated</u>	<u>FY 14/15</u> <u>Recommend</u>
<b>Revenues</b>				
Revenues & Transfers In	\$ 8,679,202	\$ 8,481,500	\$ 9,095,300	\$ 9,396,800
Less: One-Time Revenues	<u>\$ (199,000)</u>	<u>\$ (560,200)</u>	<u>\$ (488,600)</u>	<u>\$ (78,700)</u>
<b>Ongoing Revenues</b>	<b>\$ 8,480,202</b>	<b>\$ 7,921,300</b>	<b>\$ 8,606,700</b>	<b>\$ 9,318,100</b>
<b>Expenditures</b>				
Expenditures	\$ 9,990,374	\$ 9,844,600	\$ 9,650,300	\$ 10,462,000
Less: One-Time Expenditures	<u>\$ (335,504)</u>	<u>\$ (221,600)</u>	<u>\$ (91,700)</u>	<u>\$ (384,800)</u>
<b>Ongoing Expenditures</b>	<b>\$ 9,654,870</b>	<b>\$ 9,623,000</b>	<b>\$ 9,558,600</b>	<b>\$ 10,077,200</b>
<b>Structural Surplus/(Deficit)</b>	<b><u>\$ (1,174,667)</u></b>	<b><u>\$ (1,701,700)</u></b>	<b><u>\$ (951,900)</u></b>	<b><u>\$ (759,100)</u></b>

## BUDGET OVERVIEW

### General Fund Revenues

Total anticipated revenues for FY 2014-15 are anticipated to amount to just under \$9.4 million. With a beginning balance of about \$2.8 million, this results in total anticipated resources for FY 2014-15 of about \$12.2 million. The following table provides a summary of anticipated revenue for FY 2014-15 by revenue category, as well as historical data from FY 2012-13:

### General Fund Revenues

<u>Revenue Objects</u>	<u>FY 12/13</u> <u>Actual</u>	<u>FY 13/14</u> <u>Amended</u>	<u>FY 13/14</u> <u>Estimated</u>	<u>FY 14/15</u> <u>Recommend</u>
Property Taxes	\$ 1,162,743	\$ 1,189,800	\$ 1,259,700	\$ 1,316,800
Local Taxes	\$ 2,367,210	\$ 2,248,300	\$ 2,344,300	\$ 2,301,800
Licenses & Permits	\$ 327,813	\$ 349,000	\$ 471,900	\$ 478,500
Fines & Forfeitures	\$ 241,116	\$ 235,700	\$ 243,000	\$ 243,000
Use of Money & Property	\$ 185,024	\$ 227,000	\$ 188,500	\$ 193,300
Intergovernmental	\$ 2,322,995	\$ 2,398,400	\$ 2,459,100	\$ 2,669,300
Charges for Services	\$ 781,415	\$ 795,300	\$ 1,074,900	\$ 925,300
Intragovernmental	\$ 1,153,473	\$ 1,023,100	\$ 1,033,500	\$ 1,249,400
Miscellaneous Revenues	\$ 137,412	\$ 14,900	\$ 20,400	\$ 19,400
<b>Total Revenues</b>	<b><u>\$ 8,679,202</u></b>	<b><u>\$ 8,481,500</u></b>	<b><u>\$ 9,095,300</u></b>	<b><u>\$ 9,396,800</u></b>

Given the current economic climate, key revenue sources linked to consumer spending, new development, and the housing market have been analyzed conservatively for the coming year. As indicated:

- **Property Taxes** are estimated to be roughly 4.8% above the FY 2013-14 Estimated budget, and about 13.5% above the FY 2012-13 Actual budget. This increase of about \$57,100 is due in large part to an anticipated increase in assessed values.
- **Local taxes** include sales taxes, property tax in-lieu of sales taxes, franchise taxes and transient occupancy taxes. As a combined revenue category, these revenues are projected to increase by about 1.8% in comparison to the FY 2013-14 Estimated budget, and decrease by over 2.5% compared with the FY 2012-13 Actual budget. Most of this decrease (i.e., \$199,000), is from delinquent payment of Sales Tax from one vendor that was received in the current fiscal year, as well as an anticipated increase in Sales Tax receipts due in large part to increasing gas prices and increasing restaurant business.
- **Licenses & Permits** are anticipated to increase by about 1.4% from the anticipated FY 2013-14 Estimated budget, and increase by about 46.0% from the FY 2012-13 Actual budget, primarily due to the fact that the Walmart commercial development began pulling permits this fiscal year, and development activity has been heating up.

## BUDGET OVERVIEW

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- **Fines and Forfeitures** are expected to remain the same compared with FY 2013-14 Estimated and increase about 0.7% from FY 2012-13.
- **Use of Money & Property** is projected to hover around the same level as FY 2013-14 Estimated and increase by about 4.5% compared to FY 2012-13 Actual, due to reduced interest earnings as the retained earnings balances have declined.
- **Intergovernmental Revenue**, which includes the Vehicle License Fee (VLF), Property Tax In-Lieu of VLF and payments from the Suisun-Solano Water Agency, is anticipated to increase by about 8.5% over the FY 2013-14 Estimated and increase about 14.9% compared with the FY 2012-13 Actual.
- **Charges for Services** expected to decrease by 13.9% from FY 2013-14 Estimated and increase by about 18.5% compared to FY 2012-13 Actual. The decrease is based primarily on the fact that the Walmart project started in FY 2013-14.
- **Intragovernmental Revenues** are projected to see a significant increase of about 20.9% compared to the FY 2013-14 Estimated and an increase of 8.4% over the FY 2012-13 Actual.
- **Miscellaneous Revenues** are expected to be in the neighborhood of \$14,900 in FY 2014-15. This would be consistent with the historical levels that were exceeded in FY 2012-13 when the County agreed to reimburse the City \$130,600 for overcharges plus interest for Property Tax Administration Fees.

As we get closer to the end of the fiscal year, staff's forecast of both revenues and expenditures becomes tighter and more in line with what is most likely to occur, as compared with the same type of forecasts made over a year ago. The FY 2013-14 Estimated budget amounts were based on data collected through March 31, 2014.

## BUDGET OVERVIEW

### General Fund Expenditures

The FY 2014-15 Recommend Annual Budget for the General Fund expenditures would amount to over \$10.2 million. As indicated in the summary table below, this includes:

- \$9.7 million for ongoing operating costs, which include personnel services, services & supplies and interdepartmental charges.
- \$481,400 for one-time, non-recurring expenditures.

#### General Fund Operating Expenditures

<u>Expenditure Objects</u>	<u>FY 12/13</u> <u>Actual</u>	<u>FY 13/14</u> <u>Amended</u>	<u>FY 13/14</u> <u>Estimated</u>	<u>FY 14/15</u> <u>Recommend</u>
Personnel Services	\$ 6,743,318	\$ 6,619,200	\$ 6,601,200	\$ 7,106,300
Services & Supplies	\$ 1,966,823	\$ 1,796,900	\$ 1,814,200	\$ 1,838,300
Interdepartmental Charges	\$ 626,476	\$ 709,900	\$ 709,500	\$ 795,600
Non-Recurring Costs	\$ 150,679	\$ 383,300	\$ 192,200	\$ 481,400
<b>Total Operating Expenditures</b>	<b>\$ 9,487,297</b>	<b>\$ 9,509,300</b>	<b>\$ 9,317,100</b>	<b>\$ 10,221,600</b>

When comparing the FY 2014-15 Recommend to the FY 2013-14 Amended, the overall increase in operating costs about \$712,300. Observations about these figures include:

- **Personnel Services** costs would increase by \$490,100 or 7.4% from the FY 2013-14 Amended. This is a combination of continuing 2.5% give-backs from employees, and funding the increases in health insurance, Workers' Comp, and PERS costs.
- **Services & Supplies** would be up \$41,400 or 2.3% which reflects increases for vehicle maintenance in Fire Department, as well as funding increases for utility costs.
- **Interdepartmental Charges** have been increased by roughly \$85,700 or about 12.1%. This reflects the increased costs for Fleet Maintenance, IT Services, Liability Self-Insurance, and Unemployment Self-Insurance.
- **Non-Recurring Costs**, which include monies for one-time costs such as equipment purchases, travel and training, one-time studies, litigation, and operating contingencies, is budgeted at \$481,400. This would be an increase of \$98,100 from the FY 2013-14 Amended budget. This is primarily due to proposed increases for one-time studies, and operating contingencies.

## BUDGET OVERVIEW

For a more comprehensive review of the proposed FY 2014-15 Annual Budget, please refer to the C Section that presents the detailed operating budgets by department/division. Included therein are all service enhancements by department/division including both ongoing and one-time requests that are new to the FY 2014-15 budget.

### Major Service Enhancements FY 2014-15 Recommend Budget

Department	Service Enhancement	Amount GF/Non-GF	One-Time/ Ongoing
City Clerk	Election	\$ 47,800	One-Time
City Manager	Service Level Needs Assessment	\$ 30,000	One-Time
Com. Dev.	Housing Element	\$ 25,000	One-Time
Building & Public Works	Replacement of 2002 Asphalt Roller	\$ 47,500	One-Time
	Replacement of 2000 Field Prep Unit	\$ 27,500	One-Time
Admin Svcs	AB1600/Cost Allocation Update	\$ 40,000	One-Time
Police	Cadet Volunteer Program	\$ 3,000	One-Time
	Voice Logger	\$ 14,000	One-Time
Fire	Replacement of SBA Bottles & Turnouts	\$ 36,300	One-Time
	Vehicle Maintenance	\$ 10,000	One-Time
	Records Mgmt/Paging System	\$ 3,300	One-Time

### General Fund Contingencies & Reserves

Three components provide the comprehensive picture of the General Fund: revenues & resources, expenditures, and contingencies & reserves. As the table below indicates, the proposed FY 2014-15 Annual Budget contains total contingencies & reserves of about \$1.7 million. This only includes the amount set aside for the Emergency Reserve that would fall just short of the 20% goal that is set forth in the Financial Policies found on Page A – 8.

**BUDGET OVERVIEW**

**General Fund Contingencies & Reserves**

<u>Contingencies &amp; Reserves</u>	<u>FY 12/13 Actual</u>	<u>FY 13/14 Amended</u>	<u>FY 13/14 Estimated</u>	<u>FY 14/15 Recommend</u>
General Contingency	\$ 151,254	\$ 105,500	\$ 462,000	\$ -
Bridging Reserve	\$ 1,100,000	\$ -	\$ -	\$ -
Organizational Contingency	\$ -	\$ -	\$ -	\$ -
Emergency Reserve	\$ 2,371,824	\$ 2,346,400	\$ 2,330,000	\$ 1,726,800
		\$ 3		
<b>Total Contingencies &amp; Reserves</b>	<b>\$ 3,623,078</b>	<b>\$ 2,451,900</b>	<b>\$ 2,792,000</b>	<b>\$ 1,726,800</b>

It should be noted that no expenditures actually occur in these accounts. Amounts may be transferred out of them during the course of the fiscal year by Resolution of the City Council; however, for comparison purposes the table above indicates comparable amounts for the FY 2012-13 Actual budget column and the FY 2013-14 Estimated budget column. In the case of the FY 2014-15 Recommend budget, the Emergency Reserve would be 16.89%.

**BUDGET OVERVIEW**

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**NOTES**

## BUDGET OVERVIEW

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### ORGANIZATION-WIDE BUDGET SUMMARY

The organization's budget is accounted for in over 100 individual funds. (These funds are presented in the F Section of this document.) This section provides two ways to compare the current year's budget with the coming year's budget. In each of these tables, the Total Operating Budgets numbers summarize the detail presented in the C Section of the budget, the Total Capital Improvement Program numbers summarize the detail presented in the D Section of the budget, and the Debt Service numbers summarize the detail presented in the E Section of the budget.

The Net Organization-Wide Budget includes those appropriations that buy a public service or public improvement. Total appropriations presented elsewhere in the budget often include amounts that simply move money between funds or represent contingencies or reserves. Three examples of these types of appropriations are as follows:

- **Transfers to Other Funds or Agencies** – These appropriations either move money from one fund to another or from the City/Agency to another governmental unit such as the Tax Increment pass-throughs to other local governments. It is where the money ends up, that counts in the Net Organization-Wide Budget.
- **Contingencies & Reserves** – These appropriations are not expended and therefore are not included in the Net Organization-Wide Budget.
- **Internal Service Funds (ISF)** – These appropriations are for operations like Fleet Maintenance that provide services to the rest of the City. These services are paid for through transfers from the department receiving the service to the department providing the services. It is appropriate for these costs to be reflected in both budgets, but in the case of the Net Organization-Wide Budget, it would be inappropriate to double count these amounts.

These three types of appropriations are not included in the following tables.

## BUDGET OVERVIEW

## FY 2014-15 Recommend Compared with FY 2013-14 Amended

The table below summarizes the entire net budget for the organization including all City, Agency, and Authority funds. It includes a comparison between the FY 2013-14 *Amended* budget and the FY 2014-15 Recommend budget.

## NET ORGANIZATION-WIDE BUDGET SUMMARY

FY 13/14 *Amended* versus FY 14/15 Recommend

<u>Budget Activity</u>	<u>FY 11/12 Actual</u>	<u>FY 12/13 Actual</u>	<u>FY 13/14 Amended</u>	<u>FY 14/15 Recommend</u>	<u>% Chg Amd.</u>
Total Operating Budgets	\$ 21,231,224	\$ 18,463,846	\$ 21,229,600	\$ 21,573,300	1.6%
Total Capital Improvement Program	\$ 3,165,699	\$ 2,798,213	\$ 3,854,500	\$ 4,519,000	17.2%
Debt Service	\$ 5,688,548	\$ 4,346,536	\$ 6,255,600	\$ 6,159,600	-1.5%
TOTAL ORGANIZATION-WIDE BUDGET	\$ 30,085,471	\$ 25,608,595	\$ 31,339,700	\$ 32,251,900	2.9%
Less: Net Internal Services Funds	\$ 1,321,580	\$ 1,421,625	\$ 1,426,581	\$ 1,129,100	-20.9%
NET ORGANIZATION-WIDE BUDGET	\$ 28,763,891	\$ 24,186,970	\$ 29,913,119	\$ 31,122,800	4.0%

The Net Organization-Wide Budget (*Amended* comparison) indicates an *increase* of about \$1.2 million or 4.0 percent. This increase is seen in each of the three areas:

- **Operating Budgets** – Operating Budgets increase by over \$343,700 largely due to the health care increases, and increases in PERS and Workers Comp. Beyond that it would be a status quo budget.
- **Capital Improvements** – The very ambitious CIP for FY 2014-15 would again increase by about \$664,500 or 17.2 percent from FY 2013-14. Most of these projects are grant funded or paid for with development impact fees.
- **Debt Service** – Debt Service payment schedules would decrease slightly by about \$96,000 or 1.5 percent.

## BUDGET OVERVIEW

### FY 2014-15 Recommend Compared with FY 2013-14 Estimated

The following table summarizes the entire net budget for the organization including all City, Agency and Authority funds. It includes a comparison between the FY 2013-14 *Estimated* budget and the FY 2014-15 Recommended budget.

### NET ORGANIZATION-WIDE BUDGET SUMMARY

FY 13/14 *Estimated* versus FY 14/15 Recommend

<u>Budget Activity</u>	FY 11/12 <u>Actual</u>	FY 12/13 <u>Actual</u>	FY 13/14 <u>Estimated</u>	FY 14/15 <u>Recommend</u>	% Chg <u>Est.</u>
Total Operating Budgets	\$ 21,231,224	\$ 18,463,846	\$ 18,262,100	\$ 21,573,300	18.1%
Total Capital Improvement Program	\$ 3,165,699	\$ 2,798,213	\$ 620,100	\$ 4,519,000	628.8%
Debt Service	\$ 5,688,548	\$ 4,346,536	\$ 6,245,400	\$ 6,159,600	-1.4%
<b>TOTAL ORGANIZATION-WIDE BUDGET</b>	<b><u>\$ 30,085,471</u></b>	<b><u>\$ 25,608,595</u></b>	<b><u>\$ 25,127,600</u></b>	<b><u>\$ 32,251,900</u></b>	<b><u>28.4%</u></b>
Less: Net Internal Services Funds	\$ 1,321,580	\$ 1,421,625	\$ 1,381,700	\$ 1,129,100	-18.3%
<b>NET ORGANIZATION-WIDE BUDGET</b>	<b><u>\$ 28,763,891</u></b>	<b><u>\$ 24,186,970</u></b>	<b><u>\$ 23,745,900</u></b>	<b><u>\$ 31,122,800</u></b>	<b><u>31.1%</u></b>

The Net Organization-Wide Budget (*Estimated* comparison) indicates an *increase* of \$7,376,900 or 31.1 percent. The changes that make up this overall increase are indicated below:

- **Operating Budgets** – The FY 2014-15 Recommend budget would be an increase of \$3,311,200 or 18.1 percent above the FY 2013-14 Estimated of \$18,262,100. The increase is a combination of belt-tightening in FY 2013-14, as well as the appropriation of Operating Contingencies in the MAD funds, and increases in PERS and Workers Comp.
- **Capital Improvements** – It is anticipated that only about 14.5 percent of the CIP will be completed in FY 2013-14. Most of the FY 2014-15 CIP would be for projects carried over from the very ambitious CIP for FY 2013-14. Overall the FY 2013-14 CIP would be \$4.5 million or about 629 percent more than the FY 2013-14 Estimated.
- **Debt Service** – This portion of the Net Organization-Wide Budget would be down about \$85,800 or 1.4 percent.

**BUDGET OVERVIEW**

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**NOTES**