

BUDGET-IN-BRIEF

2013-15 Financial Plan Supplement

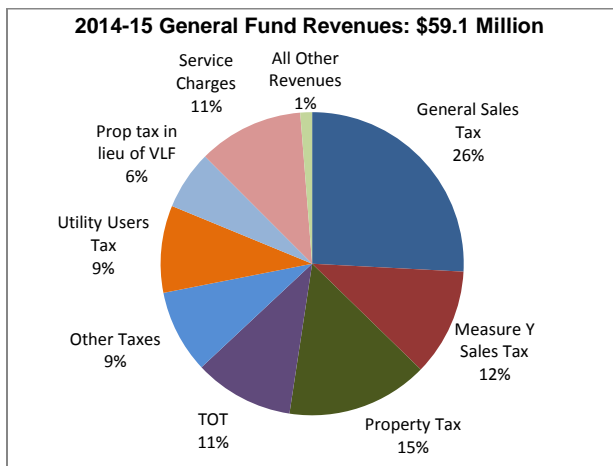
The purpose of this “budget-in-brief” is to summarize the second year of the City’s 2013-15 Financial Plan by highlighting the City’s budget progress, key budget features, and “budget facts.”

Purpose of the City’s Two Year Financial Plan

The fundamental purpose of the City’s Financial Plan is to link what the City wants to accomplish for the community with the resources necessary to do so. The City’s Financial Plan process does this by: clearly setting major city goals and other important objectives; establishing reasonable time frames and organizational responsibility for achieving them; and allocating resources for programs and projects.

General Fiscal Environment

The theme of the 2013-15 Supplement is “Steady Progress.” Revenues have rebounded and, based on the continued development review activity, it appears there is renewed optimism about – and opportunity to invest in – our community. Moreover, the City has made progress in its work to contain operating costs which in turn helps to improve overall fiscal health.



Even with these positive fiscal signs, there are uncertainties and challenges looming. This is particularly true in relation to the on-going cost of retirement programs as well as insurance costs. These uncertainties are being monitored and will be addressed as more information is obtained and

specific actions can be identified to mitigate negative impacts. More specifically, as part of the Fiscal Health Major City Goal, staff intends to prepare a strategy outlining the manner in which the City may pay down its unfunded retirement liabilities. This work plan will be undertaken once there is clarity from CalPERS regarding future rates and substantial changes affecting the retirement funding model that the CalPERS board is currently considering.

Major City Goals (2013-15 Financial Plan Sec. C)

For 2013-15, the City Council established an ambitious Major City Goal work program based on citizen input and involvement. Within this program, the City will:

- Implement comprehensive strategies to reduce homelessness
- Continue and enhance Neighborhood Wellness initiatives
- Sustain essential services, infrastructure and fiscal health
- Expand bicycle and pedestrian paths to improve connectivity and safety
- Implement the adopted Economic Development Strategic Plan
- Assess and renew the Downtown
- Complete construction of a new Skate Park

Financial Highlights and Operating Budgets

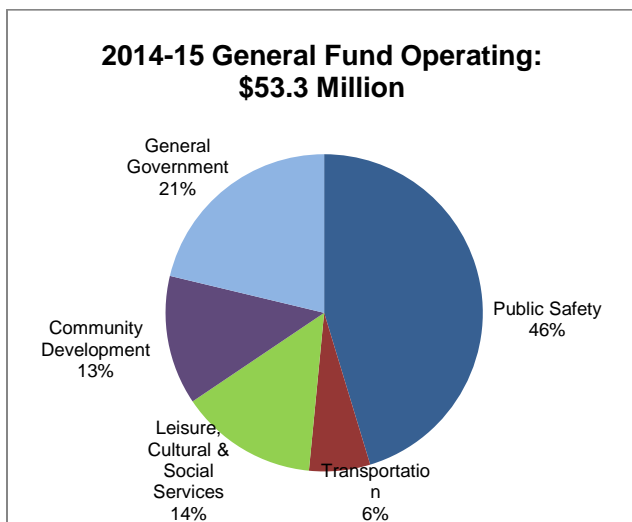
Pursuant to the City Council’s goals and the emphasis on delivering essential services and reinvestment in the City’s infrastructure, the 2014-15 budget makes the following appropriations for a total of \$134.2 million among all City funds:

| | Governmental Funds | Enterprise Funds | Total |
|--------------------|--------------------|-------------------|--------------------|
| Operating Programs | 55,625,869 | 29,042,508 | 84,668,377 |
| CIP | 31,553,721 | 7,843,430 | 39,397,151 |
| Debt Service | 5,576,862 | 4,569,700 | 10,146,562 |
| Total | 92,756,452 | 41,455,638 | 134,212,090 |

Appropriations for operating programs (day-to-day delivery of services) total \$84.7 million for 2014-15 summarized as follows:

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| | Governmental Funds | Enterprise Funds | Total |
|-------------------------------------|--------------------|-------------------|-------------------|
| Public Safety | 24,430,510 | | 24,430,510 |
| Public Utilities | | 20,599,500 | 20,599,500 |
| Transportation | 3,321,300 | 4,984,300 | 8,305,600 |
| Leisure, Cultural & Social Services | 7,486,400 | | 7,486,400 |
| Community Development | 9,048,344 | | 9,048,344 |
| General Gov't | 11,346,815 | 3,451,208 | 14,798,023 |
| Total | 55,633,369 | 29,035,008 | 84,668,377 |



The day-to-day services are delivered by 362 City employees in the following functions:

| Authorized Regular Staffing by Function 2014-15 | |
|---|--------------|
| Public Safety | 138.5 |
| Public Utilities | 61.9 |
| Transportation | 31.8 |
| Community Development | 44.0 |
| Leisure, Cultural & Social Services | 34.0 |
| General Gov't | 52.0 |
| Total | 362.2 |

Operating Budget Changes

In keeping with the City's two year budget process, the 2014-15 Budget is primarily intended to "stay the course" set in the 2013-15 Financial Plan while responding to changed circumstances since its adoption. The City is adding the following resources

to better serve the community by building internal capacity within the organization to improve efficiency and effectiveness and/or meet legal or contractual requirements.

- Additional resources to allow the Community Development Department to meet the workload demands created by the high volume of development applications and calls for inspection services
- Temporary staffing for one year in the Finance Department's Revenue Division to provide the resources needed to make operational changes that will make the department more efficient in its revenue collections
- Additional contract services and temporary staffing for a one-year period to allow the IT division to complete 23 new projects and change the deployment of technology to increase system reliability, reduce overtime and institute a new project delivery model
- Funding to cover increases in the cost of liability and worker's compensation insurance
- A new agreement with the county transit system to sell their bus passes in exchange for up to \$25,000 in annual revenue for a one year trial period
- Funding to develop a comprehensive employee development and leadership training program to improve workforce reliability and readiness to serve the community
- Funding to provide for the on-going maintenance of the Santa Rosa Skate Park once it is completed

Use of Measure Y Revenue

The City's ½ percent sales tax measure (Measure Y) continues to play a vital role in the delivery of essential services and infrastructure improvements to the City's residents. In 2014-15, Measure Y is expected to generate approximately \$6.8 million in revenues.

As reflected in the following table, 63% of Measure Y revenues will be devoted to **maintaining the**

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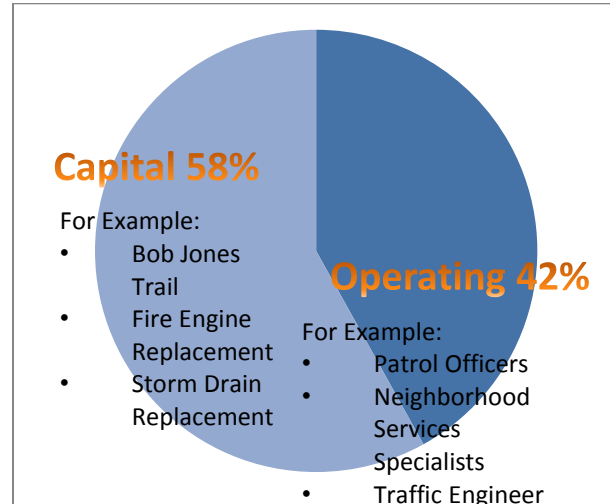
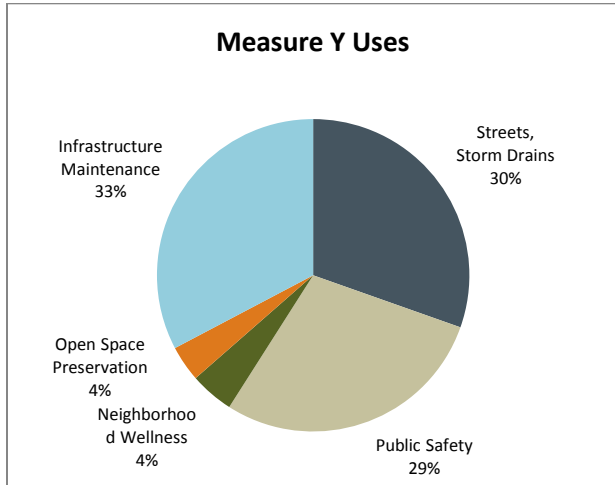
City's infrastructure, street paving, and flood protection.

Approximately 29% of the Measure Y revenues will be used for **Public Safety** services including additional patrol officers for the Downtown district.

An additional 8% is allocated for **Open Space** acquisition and to support **Neighborhood Wellness**.

Capital improvement plan projects include expenditures such as neighborhood street paving, replacement of storm drains, replacement of fire engines and police patrol sedans, open space acquisitions, bicycle facility improvements, and traffic congestion relief projects among other project types.

**Total Expenditures = \$31,019,200
Through June 30, 2013**



Measure Y – A Closer Look

The City began collecting revenues from the Measure Y, ½ percent sales tax in 2007 following its approval by over **64% of the vote**. Since that time, Measure Y has been allocated by the City Council to the City's **highest priority essential services**.

Through June 30, 2013, the City has spent **\$31.0 million** to protect and maintain essential services. The decision about how to spend Measure Y is made by the City Council every year as part of the **budget process**. Expenditures are also **audited on an annual basis**, so the public can see exactly what its tax dollars are spent on.

Project in Focus – Santa Rosa Skate Park



Measure Y Expenditures

Measure Y is used for both operating expenditures and capital improvement plan projects. Operating expenditures include the staff who provide essential municipal services, such as police officers, a Fire Marshall, maintenance workers, engineers, Neighborhood Services Specialists, and other key staff.

Building a concrete skate park in San Luis Obispo is a Major City Goal and has been a goal for community members and user groups over many years. Construction of the new Santa Rosa Skate Park is scheduled to be completed in December 2014. Measure Y funding plays a major role in supporting this project.

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MEASURE Y FUNDING SUMMARY - REVISED FOR SUPPLEMENT

The uses of Measure Y revenues for 2013-15 in funding operating programs and capital improvement plan (CIP) projects are aligned with top Council goals and objectives, and closely match projected revenues.

| | Operating Programs | | CIP | | Two-Year Budget Total |
|--|--------------------|------------------|------------------|------------------|-----------------------------|
| | 2013-14 | 2014-15 | 2013-14 | 2014-15 | |
| <i>Preservation of Essential Services</i> | | | | | |
| Public Safety | 1,269,239 | 1,374,494 | 569,920 | 638,903 | 3,852,556 |
| Maintenance Services | 894,506 | 823,969 | 936,400 | 1,030,000 | 3,684,875 |
| Neighborhood Wellness | 305,703 | 318,715 | - | - | 624,418 |
| Traffic Congestion Relief | 92,520 | 100,351 | 175,000 | 185,000 | 552,871 |
| Open Space Preservation | 64,300 | 62,028 | 200,000 | 200,000 | 526,328 |
| Infrastructure and Maintenance Improvements | - | - | 4,538,023 | 2,301,800 | 6,839,823 |
| SUB-TOTALS | 2,626,269 | 2,679,557 | 6,419,343 | 4,355,703 | 16,080,872 |
| <i>Prior Year Encumbered/Assigned Amounts</i> | | | | | |
| Transportation (Mobility and Safety) | - | - | 57,211 | - | 57,211 |
| Open Space Preservation | - | - | 10,934 | - | 10,934 |
| Infrastructure Maintenance and Improvements | - | - | 682,638 | - | 682,638 |
| Street Reconstruction & Resurfacing | - | - | 101,168 | - | 101,168 |
| SUB-TOTAL PRIOR YEAR AMOUNTS | - | - | 851,951 | - | 851,951 |
| Total Operations / CIP Spending | 2,626,269 | 2,679,557 | 7,271,294 | 4,355,703 | 16,932,823 |
| Contingency Reserve | | | | | 1,700,000 |
| Total Proposed Spending | | | | | 18,632,823 |
| <i>Projected Measure Y Resources</i> | | | | | |
| 2013-14 Revenues | | | | | 6,684,000 |
| 2014-15 Revenues | | | | | 6,775,000 |
| Prior Year Encumbered/Assigned Value | | | | | 851,951 |
| Prior Year Revenue Available for Appropriations (See 2012-13 CAFR) | | | | | 4,366,900 |
| Total | | | | | 18,677,851 |

* For a complete listing of the Measure Y Operating and Capital expenditures, see page A-17 of the 2013-15 Financial Plan Supplement, available at www.slocity.org.