

STAFF REPORT

City of Lancaster

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| 06/26/12 |
| MVB |

Date: June 26, 2012

To: Mayor Parris and City Council Members

From: Barbara Boswell, Director of Finance
Mark V. Bozigian, City Manager

Subject: **Fiscal Year 2012-13 City of Lancaster Budget Adoption and Related Resolutions**

Recommendations:

- a. Adopt **Resolution No. 12-35**, adopting the proposed City of Lancaster Fiscal Year 2012-13 General Fund Operating Budget, Special Funds Budget, and Capital Improvements Budget, as specified in the Budget Document, as amended in Attachment A.
- b. Adopt **Resolution No. 12-36**, establishing the annual Appropriations Limit for Fiscal Year 2012-13.
- c. Adopt **Resolution No. 12-37**, amending Resolution Numbers 09-72 and 10-12 establishing a compensation schedule for non-represented employees of the City and associated benefit revisions.
- d. Adopt **Resolution No. 12-38**, Amending Fiscal Year 11-12 Budget

Background:

The City is required to adopt a budget by July 1 of each year that establishes appropriations and estimated revenues for the fiscal year. The proposed budget is a culmination of many months of work by the City Council and staff in reviewing priorities and evaluating programs to meet those priorities. A Public Hearing to review the budget was held on June 12, 2012.

Expenditures are proposed at \$108,883,470 for fiscal year 2012-13. Total revenues are estimated at \$96,306,289 with \$12,577,181 coming from reserved fund balances that are restricted to the uses proposed in the budget. The 10% operating reserve and a 7% financial stability reserve in the general fund are preserved in the proposed budget.

The proposed budget is broken into the following categories:

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|--------------------------|-----------------------------|
| Salaries & Benefits | \$30,577,231 |
| Operations & Maintenance | 60,426,811 |
| Capital Outlay | 512,500 |
| Capital Improvement | <u>17,366,928</u> |
| TOTAL | <u>\$108,883,470</u> |

The General Fund operating expenditures for next fiscal year are proposed at \$52,411,830 with no funding for capital improvement projects. Revenues are projected at \$51,714,125, exclusive of transfers in or out.

New funding for the Capital Improvement Program is proposed at \$17,366,928, which has been adjusted from the amount proposed at the June 12, 2012 public hearing. At the last meeting the Council directed staff to remove the Downtown Roundabout from the Capital Improvement Program. Project categories are segregated as follows:

| | |
|--------------------------|-----------------|
| Streets & Pavement Mgmt: | \$ 6.6 M |
| Maintenance & Repair: | 4.9 M |
| Utilities: | 3.5 M |
| Facilities & Fixtures | 2.0 M |
| Other Projects: | <u>.3 M</u> |
| TOTAL | <u>\$17.3 M</u> |

Appropriations Limit

In addition to adopting the budget, the city is also required to calculate the appropriations limit on an annual basis and adopt a resolution that sets the limit. The limit is adjusted each year by two factors that are provided by the state Department of Finance. They are the change in population and the change in California per capita income. Based on these factors, the appropriations limit is set at \$159,002,800 for fiscal year 2012/13. The budget is well below this limit, as required by law.

Compensation Schedule

In recognition of the continuing sluggish state of the economy, employees were asked to make concessions in both benefits and pay to reduce the City's cost in these areas. As part of the discussions the City has agreed to contract with CalPERS for the 2.7% at age 55 benefit option to replace the current 2.0% at age 55 benefit option and .7% PARS supplement. In exchange, employees will pay a portion of the City's cost for providing that benefit starting in January 2013 with a salary deduction of 2.5% and increasing in January 2014 to 3.5% and in July 2014 to a full 4% deduction. (This change does not increase the retirement benefit for employees but it does require employees to pay a portion of their pension costs.) Employees hired on or after July 1, 2012 will be enrolled in the CalPERS 2% at age 60 benefit option, with employees paying the full employee share.

The proposal reduces the City's contribution to medical, dental and vision insurance from a percentage of the cost to a defined monthly dollar contribution. Effective January 2013 employees will receive \$1,000 towards employee only coverage; \$1,100 towards employee plus one coverage; and \$1,400 towards employee plus two or more coverage if they were hired on or before June 30, 2012. Employees hired on or after July 1, 2012 will receive a monthly benefit of \$1,000 towards the cost of City provided health insurances. The proposal includes a monthly payment of \$75.00 into the Retiree Health Savings plan for employees who elect employee only health insurance coverage; those who decline any City provided coverage will receive a monthly deposit of \$175.00 into the Retiree Health Savings plan.

The proposal reduces the number of vacation hours employees may cash in each year to 40 hours in excess of 80 hours per fiscal year. It provides cost-of-living adjustments of 2.5% in July 2012, 2013 and 2014. It increases Christmas Eve and New Years Eve from half day to full day holidays. And, it adds an hour of floating holiday time in January and July 2012 to increase the holidays from eight to nine hours each in recognition of the normal nine hour work day.

Fiscal Year 11/12 Budget Amendment

As the year comes to a close, city staff reviews revenues and expenditures to identify those variances that may have occurred, or are anticipated, that result in adjustments being necessary. This review identified the need to amend revenue estimates by \$22 million, with the majority related to the sale of Brierwood Mobilehome Park and new grants, and expenditures by \$5.7 million. These expenditures were necessary to carry out the priorities established by the City Council for which the budget had not yet been adjusted.

MVB:BB

Attachments:

Fiscal Year 2012-13 Budget - On file in the City Clerk's Department and posted on City website

Resolution No. 12-35

Resolution No. 12-36

Resolution No. 12-37

Resolution No. 12-38