

STAFF REPORT

City of Lancaster

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06/25/13
MVB

Date: June 25, 2013

To: Mayor Parris and City Council Members

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

Subject: **Fiscal Year 2013/14 City of Lancaster Budget Adoption and Related Resolutions**

Recommendations:

- a. Adopt **Resolution No. 13-29**, adopting the proposed City of Lancaster Fiscal Year 2013/14 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. 13-30**, establishing the annual Appropriations Limit for Fiscal Year 2013/14.
- c. Adopt **Resolution No. 13-31**, amending Resolution No. 12-37 by establishing a compensation schedule for various classifications of employees of the City.
- d. Adopt **Resolution No. 13-32**, amending Fiscal Year 12/13 Budget.
- e. Adopt **Resolution No. 13-33**, establishing the terms and conditions and authorizing the execution of a promissory note in favor of the General Fund for the distribution of funds to the Building Fees Fund.
- f. Approve Amended Agreement for Legal Services with Stradling Yocca Carlson & Rauth.

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 11, 2013.

Expenditures are proposed at \$106,787,633 for fiscal year 2013/14. Total revenues are estimated at \$98,035,547 with \$8,752,086 coming from reserved fund balances that are restricted to the uses proposed in the budget. The 10% operating reserve and a 11% financial stability reserve in the general fund are preserved in the proposed budget.

The proposed budget is broken into the following categories:

Salaries & Benefits	\$31,599,369
Operations & Maintenance	52,709,637
Capital Outlay	339,405
Capital Improvement	<u>22,139,222</u>
TOTAL	<u>\$106,787,633</u>

The General Fund operating expenditures for next fiscal year are proposed at \$51,787,845 with \$533,066 in unspent bond proceeds for capital improvement projects. Revenues are projected at \$50,676,528.

New funding for the Capital Improvement Program is proposed at \$22,139,222, Project categories are segregated into as follows:

Streets & Right of Way:	\$ 7.3 M
Maintenance & Repair:	9.4 M
Transportation Safety:	3.2 M
Facilities & Fixtures	<u>2.2 M</u>
TOTAL	<u>\$22.1 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 \$163,613,543 for fiscal year 2013/14. The budget is well below this limit, as required by law.

Compensation Schedule

Through the budget process, a review of classifications of certain positions was completed. As a result of this review, changes are recommended to the compensation schedule as reflected in the resolution attached.

Fiscal Year 12/13 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 \$11.7 million, including the payment from Waste Management as a result of contract negotiations and new grants. Expenditures are recommended to be adjusted by \$4.9 million. These expenditures were necessary to carry out the priorities established by the City Council for which the budget had not yet been adjusted.

Loans between General Fund and Building Fees Fund

As a result of the economic downturn, revenues generated by development activity have not been sufficient to meet the expenditures of those activities. This shortfall has been subsidized by the general fund beginning in fiscal year 2008-09. Since that time, \$4,284,921 has been loaned through fiscal year 2011/12 with another \$1,726,905 anticipated for fiscal years 2012/13 and 2013/14. Based on current development projections, the deficit may be reversed beginning in fiscal year 2016/17. It is appropriate to formalize the loans between the funds so these funds may be repaid as funds are available.

Amended Agreement for Legal Services

With the announced retirement of the current City Attorney, Dave McEwen, Esq, staff has been working with our current firm, Stradling Yocca Carlson & Rauth to identify a replacement. That replacement has been identified as Allison Burns, Esq. In addition, a Deputy City Attorney will be hired to work from City hall to handle most daily routine tasks. The amended agreement reflects the changes in the City's attorney services and rates applicable to those services. This agreement will result in annual savings to the City while providing a higher level of service.

Attachments:

Fiscal Year 2013/14 Budget - On file in the City Clerk Department

Resolution No. 13-29

Resolution No. 13-30

Resolution No. 13-31

Resolution No. 13-32

Resolution No. 13-33

Amended Agreement for Legal Services with Stradling Yocca Carlson & Rauth

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