

FISCAL YEAR 2011 FINAL BUDGET REPORT AND RECOMMENDATIONS

**REPORT BY THE
OFFICE OF THE
INDEPENDENT BUDGET ANALYST**

**IBA REPORT 10-43
MAY 24, 2010**

Review of Mayor's May Revise

Based on staff assumptions, the department expects this new business tax compliance effort to generate approximately \$642,710 in additional revenue in FY 2011. The additional revenue would result from fines charged to large businesses inappropriately paying business tax to the City at small businesses tax rates. The new business tax compliance program will require the addition of 1.00 Administrative Aide II (added personnel expense of \$81,480) to review employee count records and City data.

Increase in Contractual Services

In order to correct an oversight in the development of the FY 2011 Proposed Budget, \$441,000 in non-personnel expense for contractual services is being added to the City Treasurer's budget to cover annual citywide banking services contracts with Bank of America and Bank of New York.

Citywide

Public Liability Adjustments

The May Revise reflects a reduction of \$2.9 million to the City's Public Liability contribution. This adjustment is said to appropriately align the budgeted contribution amount with current year expenditures, and will reduce the Proposed Budget amount of \$18 million to \$15.1 million.

A review of actual revenue and expenditure activity since 2006 does not show a trend consistent with this reduced contribution level. However, the Public Liability Fund can and has received revenue recoveries or settlement payments in addition to General Fund contributions.

PUBLIC LIABILITY SUMMARY			
(in millions)			
Fiscal Year	Revenue	Expended	Encumb
2010*	\$ 18.0	\$ 21.6	\$ 3.5
2009	23.4	18.5	4.6
2008	25.5	23.9	4.9
2007	25.6	23.2	4.6
2006	28.5	23.9	6.8
Five Year Avg	\$ 24.2	\$ 22.2	\$ 4.9

*2010 Activity through 5/20/2010
Source 2006 - 2009: Simpler Info (Fund 81140)

In addition to the budgeted annual contribution, the City has established a Public Liability Reserve Fund, which currently totals \$17.1 million. In the event the annual contribution is insufficient, reserve funding is available to ensure that all expenditure requirements are met. It is possible that use of the Public Liability Reserve may become necessary next fiscal year, because the annual contribution will be reduced.

Redistricting

The May Revise includes \$500,000 in one-time expenditures for anticipated costs associated with the work of the 2010 Redistricting Commission. The May Revise notes that staff plans to monitor costs and return to Council if additional funds are needed. However, it should be clarified that per the City Charter, the Redistricting Commission, once formed, will develop a budget and present it to Council for consideration. The IBA believes that this level of funding

Review of Mayor's May Revise

It is reasonable and necessary to begin the work of the Commission, though additional funds may be requested at the time of the Commission's formal budget adoption.

It should be noted that the 2000 Redistricting Commission recommended that a liaison be appointed by the City Manager's Office prior to the hiring of the Commission Director. Per the Commission's recommendation, the liaison would assist with early operating decisions such as refining the budget and securing office space. In addition to including these funds in the final budget, we recommend the Council work with the Mayor to identify a liaison staff person (or persons representing the executive and legislative branches) to coordinate the initial efforts of the Commission. The 2000 Redistricting Commission recommended that the City Manager appoint a liaison by September.

Per the City Charter, the nomination period for the members of the Redistricting Commission shall commence on July 1 and the Presiding Judge shall appoint the Commission members no later than November 1. The Commission shall adopt a budget and submit it to the Presiding Judge within 60 days after the Commission members are appointed. If he or she approves the budget, it will then be forwarded to Council for consideration.

Debt Management

An additional \$97,276 was budgeted in the Debt Management department. This amount is the net difference resulting from the following budget changes: 1) the elimination of 2.00 budgeted, unfunded Program Coordinators, 2) the addition of 2.00 Senior Management Analysts and 3) removal of funding for 1.00 budgeted, vacant Associate Economist. These changes more accurately reflect current staffing in the department.

Fire-Rescue

The May Revise includes an expense reduction of \$92,103 and the elimination of 2.00 FTEs in the Fire-Rescue Department. The adjustments are related to efforts to realize efficiencies and cost savings by consolidating warehousing within City operations. The expense reduction is from the elimination of 1.00 FTE Fleet Buyer position in Fire-Rescue. 1.00 FTE Storekeeper II position will be transferred to Central Stores within Purchasing & Contracting. The Fire-Rescue Department will still support this position through a Service Level Agreement with Central Stores for services that will continue to be provided at Central Store 42. These adjustments are subject to the meet and confer process.