Financial Management

Mayor and Common Council

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The Ins and Outs of City Funds

The Ins & Outs of City Funds

Cities Vary
and so do their finances

- Geography: proximity, climate, terrain, access
- Community Character / Vision: Land use
  Bedroom? Industrial? Tourist? Rural? Etc.
- Size – urban / rural
- Governance – full service / not

- Statewide generalizations often mask trends among sub-groups

The Ins & Outs of City Funds

Taxes

- ✓ Charges which pay for public services and facilities that provide general benefits. No need for direct relationship between a taxpayer's benefit and the tax paid.
- ✓ Cities may impose any tax not otherwise prohibited by state law. (Gov Code § 37100.5)
- ✓ The state has reserved a number of taxes for its own purposes including: Cigarette taxes, alcohol taxes, personal income taxes.
- ✓ General & Special
  - ❑ General Tax – revenues may be used for any purpose.
    - Majority voter approval required for new or increased local tax
  - ❑ Special Taxes – revenues must be used for a specific purpose.
    - 2/3 voter approval required for new or increased local tax
    - Parcel tax – requires 2/3 vote

Taxes and Fees Approval Requirements

	Fee	Tax
City or County	Majority of the city council or board of supervisors.	Two-thirds voter approval for a special tax (earmarked), majority voter
State	Majority of each house of the Legislature and Governor's approval.	For any law that will increase the taxes of any taxpayer, two-thirds of each house of the legislature and Governor's approval…or approval of majority of statewide voters.

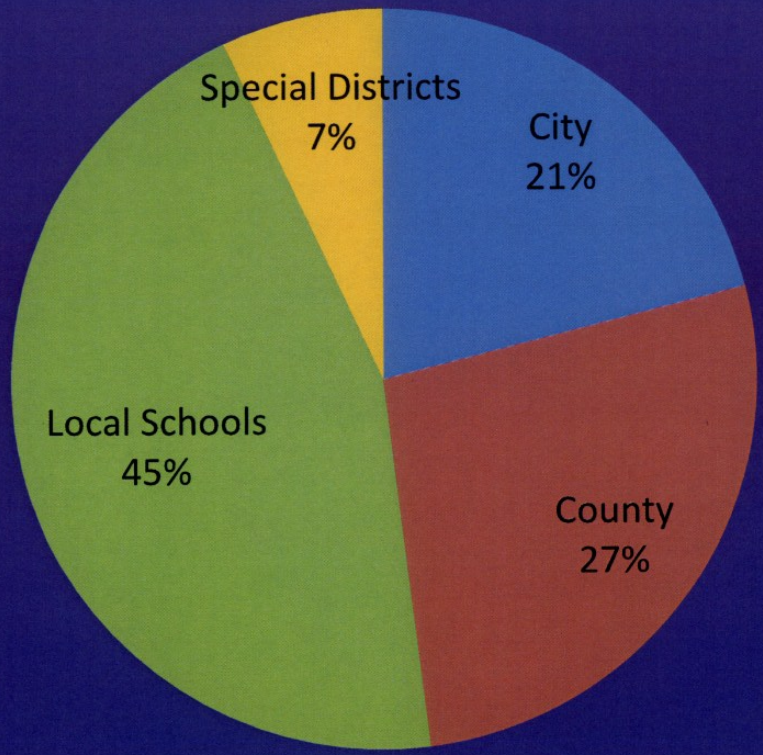
Property Tax

- ✓ An ad valorem tax imposed on real property and tangible personal property
- ✓ Maximum 1% rate (Article XIIIA) of assessed value, plus voter approved rates to fund debt
- ✓ Assessed value capped at 1975-76 base year plus CPI or 2%/year, whichever is less
- ✓ Property that declines in value is reassessed to the lower market value.
- ✓ Reassessed to current full value upon change in ownership (with certain exemptions)
- ✓ Allocation: shared among cities, counties and school districts according to state law.

The Ins & Outs of City Funds

Where Your Property Tax Goes

Typical city resident



Typical homeowner in a full service city.

Includes Property Tax in-lieu of VLF.

Source: CaliforniaCityFinance.com computations from Board of Equalization and State Controller data.

The Vehicle License Fee: The Former Car Property Tax

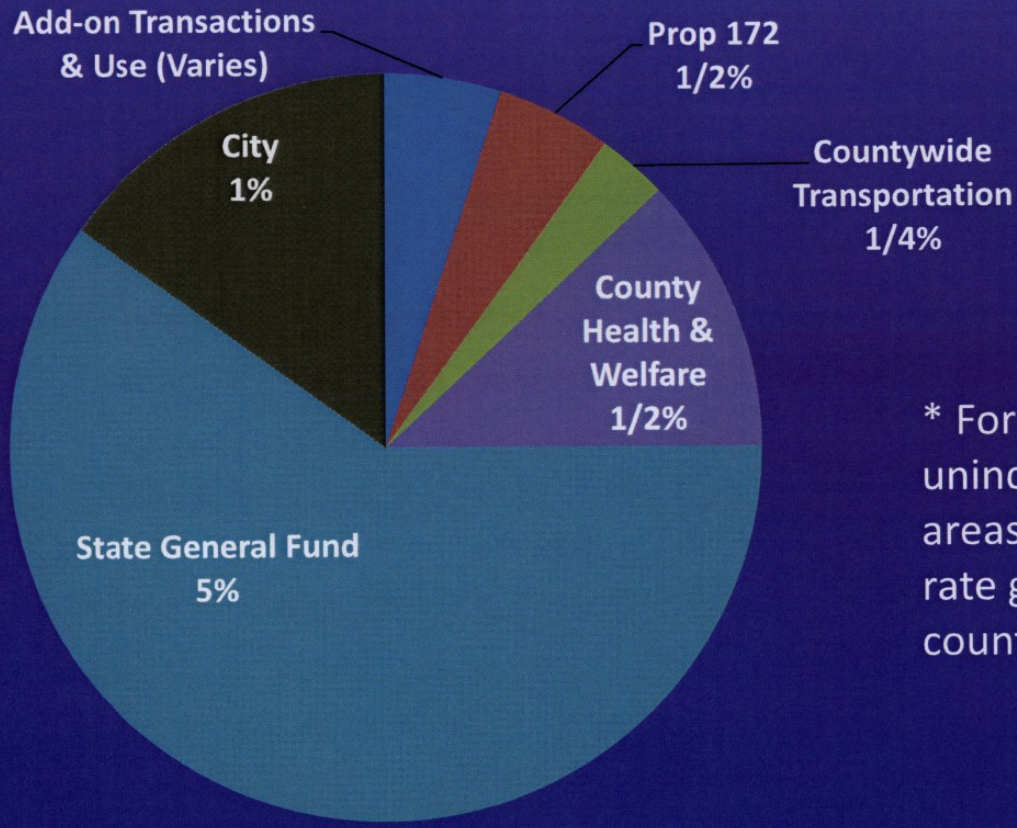
- ✓ 1935 Statewide uniform VLF adopted
  Replacing local property tax on motor vehicles
- ✓ 1948-2004 tax rate is 2%
- ✓ 1998 VLF "offset" (effectively a tax cut) begins
  Includes "trigger" to put rate back up if state finds it cannot afford the backfill to cities and counties
- ✓ 2003 Gov. Gray Davis pulls trigger sending VLF from 0.65%
  punching $4 billion cost into the budget
- ✓ 2004 VLF – Property Tax swap. Backfill and trigger eliminated. Property tax protected by Prop1A (Nov'04)

Sales and Use Tax

- ✓Sales Tax: imposed on the total retail price of any tangible personal property
- ✓Use Tax: imposed on the purchase for transactions in which the sales tax is not collected.

The Ins & Outs of City Funds

Where Your Sales Tax Goes



* For taxable sales in unincorporated areas, the local 1% rate goes to the county

The Ins & Outs of City Funds

Other Locally Adopted Revenues

- ✓ Fees
  - A charge imposed on an individual for a service or facility provided directly to that individual.
    - * User Fees
    - *Regulatory Fees
    - * Property Related Fees
    - * Development Fees
- ✓ Assessments
- ✓ Licenses and Permits
- ✓ Franchises
- ✓ Rents, Royalties & Concessions
- ✓ Fines, Forfeitures & Penalties

Fees
* Cities have the authority to impose fees under the police powers given to cities in Calif. Constitution.
* A fee may not exceed the estimated reasonable cost for which the fee is charged.
* Specific limits and procedures in the state constitution and state law for fee & rate adoption.

Intergovernmental Subventions

* Highway User Tax * Law Enforcement Grants (COPS) *CDBG *VLF

The Ins & Outs of City Funds

California City Spending

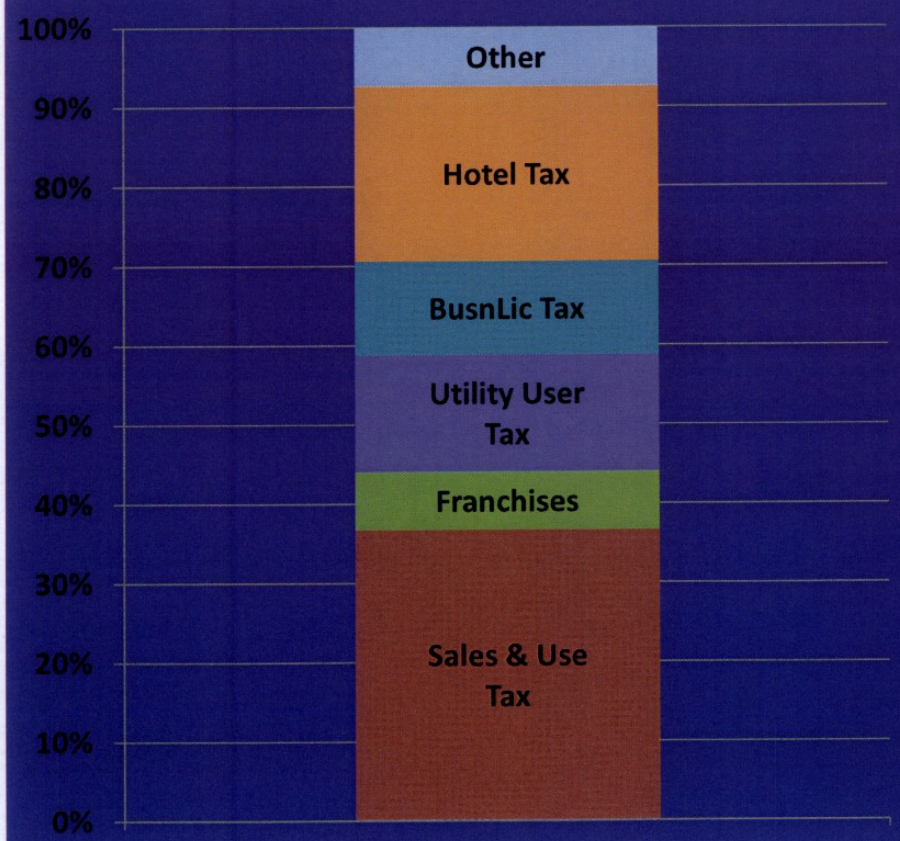
Where City Funds Go…

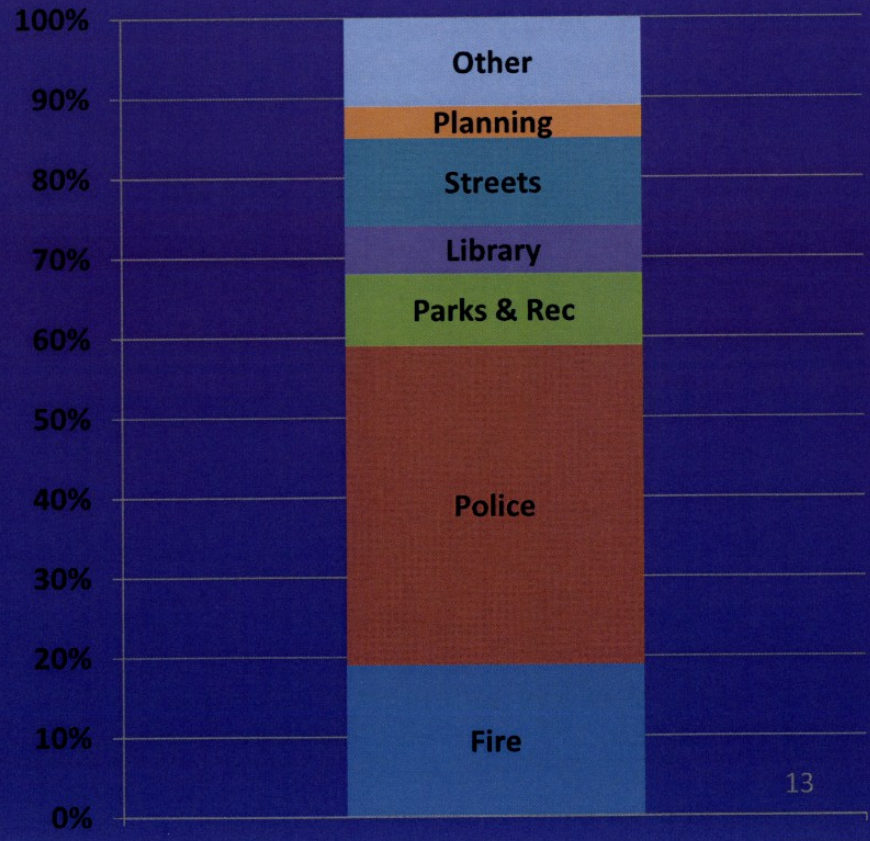
- ✓ Personnel / Human Resources
  - Salaries/ wages
  - Health Benefits
  - Retirement Benefits
  - Other Post Employment Benefits
- ✓ Non-Personnel
  - Supplies/ Materials / Equipment
  - Contract Services
- ✓ Capital / Debt

The Ins & Outs of City Funds

Discretionary Revenues and Spending

Typical Full Service Only





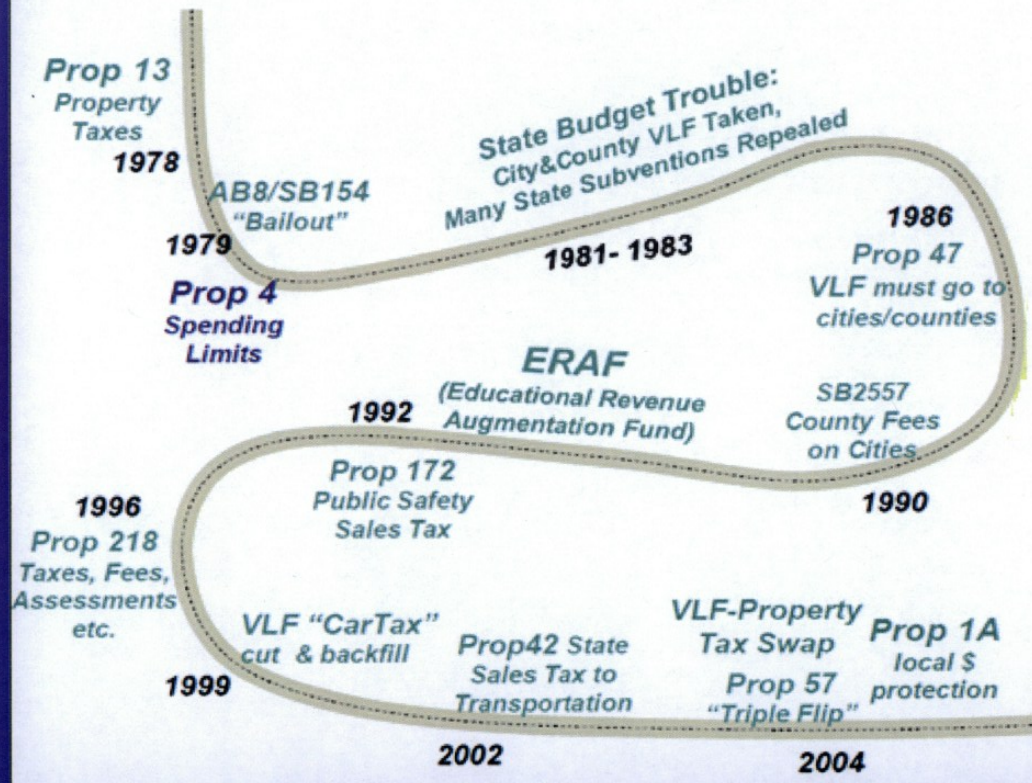
The State-Local Fiscal Relationship in California

The State-Local Fiscal Relationship

Proposition 13 – nuts & bolts

1. **One percent rate cap**. Property tax rates capped at 1% of full market value
2. **Assessment rollback** of property values for tax purposes to 1975-76 levels
3. **Assessment growth capped** at 2% of property value (or CPI)
    - Reassessment at full market value only upon change of ownership
4. **Special taxes** (local) require 2/3 voter approval
5. **State tax increases require** 2/3 vote legislature
6. **Authority for allocating property tax revenues transferred to the state**

The State-Local Fiscal Relationship



In The Wake of Prop 13....

- ❖ State fiscal retrenchment
- ✓ VLF → State General fund 1981-84
- ✓ State aid repealed
  - Highway Carriers Unit Burn Tax
  - Liquor License Fee
  - Bank in Lieu (FALA)
  - Burn Inventory Exemption Reimbursement
- ❖ Local Gov't fiscal innovation
  - Fees, new taxes, JPA's, consolidations, redevelopment
- ❖ ERAF property tax shifts from cities, counties, special districts beginning 1991-94
- ❖ Progeny of Proposition 13
  - 1986 Proposition 52
  - 1996 Proposition 218

Your Fiduciary Responsibilities

Budgeting & Financial Planning

The City Budget
The Budget Process
Fiscal Policies
Financial Planning / Long-Range Forecasts

Your Fiduciary Responsibilities

The City Budget

- Represents jurisdiction legal spending authority
- Organizational work-plan express dollars and staffing levels
- The budget and financial plan allocates limited available resources to the provisions of programs, services, and projects consistent with community priorities, without adversely impacting future Councils' ability to do the same.

Your Fiduciary Responsibilities

The City Budget
Alternative Budgeting Methods

- Annual Budget – Typical Fiscal Year July – June
  - Baseline Budget
  - Zero-Based Budget
  - Priority Based Budget
- Performance / Outcome – Based Budgets

Your Fiduciary Responsibilities

Your Fiduciary Responsibilities

The Budget Process

J	A	S	O	N	D	J	F	M	A	M	J

BUDGET DEVELOPMENT

Staff = Build Baseline > Dept. Proposals > Recommendations => Proposed Budget.

	Goals Budget Priorities		Workshop Long-Range Planning		Workshop Budget Proposals		**BUDGET ADOPTION**

< ---------- ***Budget Amendments*** ----------->

BUDGET MONITORING

				Q1 Year-End		Q2 Mid-Year		Q3	

Your Fiduciary Responsibilities

Adopting the Budget Council Actions Required

- Formal Budget Adoption
  - Appropriations Ordinance / Resolutions
  - Legal Spending Limits
- Budget Implementation
  - Tax Rates
  - Master Fees / Rates
  - Update Policies / Procedures
- Prop 4 – Gann Appropriations Limits (Article XIIIB)
- Legal Debt Limits (Article XIIIB)
- Capital Budget Consistency with General Plan

Your Fiduciary Responsibilities

Financial Planning

What?

- Process of projecting revenues and expenditures over a long-term period
- Process of aligning financial capacity with long-term service obligations

Why?

- Tool for developing strategies to achieve long-term sustainability
- Engenders long-term perspective / strategic thinking
- Helps avoid financing challenges

Your Fiduciary Responsibilities

Financial Planning

How ?

- Establish Time Horizon – 5 to 10 years
- Scope – Identify all appropriate funds
- Content
  - Underlying economic conditions
  - Revenue and Expenditure Projections
  - Projected Reserve Levels
  - Affordability Analysis

When?

- Maintain and Update – Quarterly / Semi-Annual

Your Fiduciary Responsibilities

Assessing Your Cities' Financial Health

Accomplished Through Financial Forecasting

- Operating Revenues (per capita) keeping up with inflation?
- Revenue sources keeping up with projected service demands?
- How volatile are revenues in relation to economic cycles?
- How vulnerable are City revenues to State / Federal actions?

Cost Containment Strategies

- What portion of operating budget is fixed costs?
- What portion of operating revenues are restricted?
- Are one-time revenues being used for ongoing operations?
- Is City's debt structure reasonable?
- Level of unreserved fund balance as % of operating budget?

Cost Recovery

- Are user-changes covering service costs over time?

Analyzing The City's Budget

SUMMARY OF REVENUES, EXPENDITURES & TRANSFERS

FUND / TITLE	Estimated Balance 7-1-11	Additions Revenues	Additions Transfers	Total Available	Deductions Expenditures	Deductions Transfers	Total Deductions	Estimated Balance 6-30-12
General Fund	2,085,400	114,365,900	12,961,100	129,412,400	125,307,300	2,780,100	128,087,400	1,325,000
Special Revenues	3,184,400	15,033,400	2,649,500	20,867,300	16,262,800	3,689,000	19,951,800	915,500
Capital Projects	17,352,900	36,170,900	0	53,523,800	44,390,700	5,684,700	50,075,400	3,448,400
Assessment Districts	0	1,089,000	200,000	1,289,000	1,289,000	0	1,289,000	0
Impact Fee Funds	10,294,700	812,500	0	11,107,200	8,859,000	0	8,859,000	2,248,200
Debt Service	(306,000)	121,100	0	(184,900)	101,900	0	101,900	(286,800)
Enterprise Funds	(318,800)	26,792,900	65,000	26,539,100	22,817,300	3,721,800	26,539,100	0
Internal Service	(10,148,000)	24,241,500	0	14,093,500	23,981,000	0	23,981,000	(9,887,500)
Total Funds	22,144,600	218,627,200	15,875,600	256,647,400	243,009,000	15,875,600	258,884,600	(2,237,200)

CITY OF SAN BERNARDINO
FY 2011-2012 SUMMARY OF REVENUES, EXPENDITURES, AND TRANSFERS

FUND / TITLE	ESTIMATED BALANCE 7-1-11	ADDITIONS REVENUES	ADDITIONS TRANSFER	TOTAL AVAILABLE	DEDUCTIONS EXPENSES	DEDUCTIONS TRANSFER	TOTAL DEDUCT	ESTIMATED BALANCE 6-30-12
001 GENERAL FUND *	2,085,400	114,365,900	12,961,100	129,412,400	125,307,300	2,780,100	128,087,400	1,325,000
SPECIAL REVENUE FUNDS:								
105 LIBRARY	0	107,200	2,066,000	2,173,200	2,173,200	0	2,173,200	0
106 CEMETERY	0	27,500	134,400	161,900	161,900	0	161,900	0
107 CATV	0	0	0	0	0	0	0	0
108 ASSET FORFEITURE	303,200	333,000	0	636,200	458,600	0	458,600	177,600
111 AIR QUALITY-AB 2766	122,400	246,200	0	368,600	115,700	70,000	185,700	182,900
118 DRUG/GANG (AF)	107,000	16,200	0	123,200	30,000	0	30,000	93,200
119 COMMUNITY DEV BLOCK GRANT	0	3,583,000	0	3,583,000	3,583,000	0	3,583,000	0
121 SBETA	0	2,363,600	0	2,363,600	2,363,600	0	2,363,600	0
124 ANIMAL CONTROL	0	1,503,000	449,100	1,952,100	1,951,300	0	1,951,300	800
128 TRAFFIC SAFETY	(150,000)	1,667,000	0	1,517,000	117,000	1,400,000	1,517,000	0
132 SEWER LINE MAINT	2,108,900	4,200,000	0	6,308,900	4,784,200	1,510,900	6,295,100	13,800
133 BASEBALL STADIUM	(37,000)	0	0	(37,000)	0	0	0	(37,000)
134 SOCCER FIELD COMPLEX	275,900	413,000	0	688,900	444,300	0	444,300	244,600
137 CFD 1033-Fire Station M&O	0	573,700	0	573,700	0	573,700	573,700	0
775 PERPETUAL CARE FUND	340,000	0	0	340,000	0	134,400	134,400	205,600
211 FIRE EQUIP ACQUISITION FD	114,000	0	0	114,000	80,000	0	80,000	34,000
TOTAL SPECIAL REVENUES	3,184,400	15,033,400	2,649,500	20,867,300	16,262,800	3,689,000	19,951,800	915,500
CAPITAL PROJECT FUNDS:								
126 SPECIAL GAS TAX	838,100	5,493,300	0	6,331,400	2,242,900	3,620,000	5,862,900	468,500
129 1/2 CENT SALES & RD TAX	4,903,000	2,535,000	0	7,438,000	5,946,500	1,350,000	7,296,500	141,500
135 PROP42 TRAFFIC CONGESTION	1,094,400	0	0	1,094,400	1,041,900	0	1,041,900	52,500
208 VERDEMONT INFRASTRUCT	348,600	0	0	348,600	325,900	0	325,900	22,700
240 INFRASTRUCTURE LOAN	0	0	0	0	0	0	0	0
241 PUBLIC PARK EXTENSION	4,500	0	0	4,500	0	0	0	4,500
242 STREET CONSTRUCTION	(3,600,600)	26,425,300	0	22,824,700	22,824,700	0	22,824,700	0
243 PARK CONSTRUCTION	668,400	1,125,800	0	1,794,200	1,713,600	0	1,713,600	80,600
244 CEMETERY CONSTR	48,800	1,500	0	50,300	5,000	0	5,000	45,300
245 SEWER LINE CONSTR	4,037,300	160,000	0	4,197,300	3,877,500	225,000	4,102,500	94,800
246 PUBLIC IMPROVEMENT	933,100	0	0	933,100	881,000	0	881,000	52,100
247 CULTURAL DEVELOPMENT	424,500	215,000	0	639,500	0	357,000	357,000	282,500
248 STORM DRAIN CONSTR	3,278,400	215,000	0	3,493,400	3,236,900	132,700	3,369,600	123,800
250 TRAFFIC SYSTEM CONSTR	0	0	0	0	0	0	0	0
258 PROP 1B FUND	4,374,400	0	0	4,374,400	2,294,800	0	2,294,800	2,079,600
TOTAL CAPITAL PROJECTS	17,352,900	36,170,900	0	53,523,800	44,390,700	5,684,700	50,075,400	3,448,400
ASSESSMENT DISTRICT FUNDS:								
251 OTHER ASSESMENT DISTR.	0	17,000	0	17,000	17,000	0	17,000	0
254 LANDSCAPE DISTRICTS	0	1,072,000	200,000	1,272,000	1,272,000	0	1,272,000	0
TOTAL ASSESSMENT DISTRICT	0	1,089,000	200,000	1,289,000	1,289,000	0	1,289,000	0
IMPACT FEE FUNDS:								
261 LAW ENFORCEMENT DEVEL	141,600	42,000	0	183,600	148,700	0	148,700	34,900
262 FIRE PROTECTION DEVEL	397,500	55,000	0	452,500	160,300	0	160,300	292,200
263 LOCAL CIRCULATION SYSTEM	547,100	22,000	0	569,100	514,400	0	514,400	54,700
264 REGIONAL CIRCULATION SYST	6,475,500	540,000	0	7,015,500	6,766,100	0	6,766,100	249,400
265 LIBRARY FACILITIES	16,500	26,000	0	42,500	42,500	0	42,500	0
266 PUBLIC MEETINGS FACILITIES	318,100	13,500	0	331,600	0	0	0	331,600
267 AQUATICS CENTER FACILITIES	118,800	14,000	0	132,800	0	0	0	132,800
268 AB 1600 PARKLAND	2,003,400	90,000	0	2,093,400	1,179,200	0	1,179,200	914,200
269 QUIMBY ACT PARKLAND	276,200	10,000	0	286,200	47,800	0	47,800	238,400
TOTAL IMPACT FEE FUNDS	10,294,700	812,500	0	11,107,200	8,859,000	0	8,859,000	2,248,200
DEBT SERVICE FUNDS:								
306 AD 987 Debt Service	71,300	52,800		124,100	65,700		65,700	58,400
356 AD 356 NEW PINE AVE	(377,300)	68,300	0	(309,000)	36,200	0	36,200	(345,200)
TOTAL DEBT SERVICE FUNDS	(306,000)	121,100	0	(184,900)	101,900	0	101,900	(286,800)
ENTERPRISE FUNDS:								
527 REFUSE	(318,800)	26,792,900	65,000	26,539,100	22,817,300	3,721,800	26,539,100	0
INTERNAL SERVICE FUNDS:								
621 CENTRAL SERVICES FUND	0	165,400	0	165,400	165,400	0	165,400	0
629 LIABILITY FUND	(570,400)	3,153,900	0	2,583,500	3,006,100	0	3,006,100	(422,600)
630 TELEPHONE SUPPORT	(28,000)	1,289,700	0	1,261,700	1,242,100	0	1,242,100	19,600
631 UTILITY FUND	(262,600)	3,714,900	0	3,452,300	3,682,300	0	3,682,300	(230,000)
635 FLEET SERVICES	400,300	7,625,000	0	8,025,300	7,685,000	0	7,685,000	340,300
678 WORKER'S COMP	(9,856,500)	3,844,300	0	(6,012,200)	3,735,900	0	3,735,900	(9,748,100)
679 INFORMATION TECHNOLOGY	169,200	4,448,300	0	4,617,500	4,464,200	0	4,464,200	153,300
TOTAL INTERNAL SERVICE	(10,148,000)	24,241,500	0	14,093,500	23,981,000	0	23,981,000	(9,887,500)
TOTAL ALL FUNDS	22,144,600	218,627,200	15,875,600	256,647,400	243,009,000	15,875,600	258,884,600	(2,237,200)

*General Fund has $3 million in loan liabilities that is not reflected in the beginning fund balance.

SUMMARY OF CHANGES IN FUND BALANCES GREATER THAN 10%

FUND / TITLE	ESTIMATED FUND BALANCE 7-1-11	ESTIMATED FUND BALANCE 6-30-12	FUND BALANCE CHANGE	Percentage Change in Fund Balance	Explanation for Change Greater than 10%
001 GENERAL FUND *	2,085,400	1,325,000	(760,400)	-36.46%	Due to the economic downturn, the city experienced a sharp decline in revenue. The City Council action required use of available fund
SPECIAL REVENUE FUNDS:					
105 LIBRARY	0	0	0	0.00%	
106 CEMETERY	0	0	0	0.00%	
107 CATV	0	0	0	0.00%	
108 ASSET FORFEITURE	303,200	177,600	(125,600)	-41.42%	This fund has routine flactuations of 10% of higher
111 AIR QUALITY-AB 2766	122,400	182,900	60,500	49.43%	This fund has routine flactuations of 10% of higher
118 DRUG/GANG (AF)	107,000	93,200	(13,800)	-12.90%	This fund has routine flactuations of 10% of higher
119 COMMUNITY DEV BLOCK GRANT	0	0	0	0.00%	
121 SBETA	0	0	0	0.00%	
124 ANIMAL CONTROL	0	800	800	0.00%	
128 TRAFFIC SAFETY	(150,000)	0	150,000	100.00%	This fund has routine flactuations of 10% of higher
132 SEWER LINE MAINT	2,108,900	13,800	(2,095,100)	-99.35%	This fund has routine flactuations of 10% of higher
133 BASEBALL STADIUM	(37,000)	(37,000)	0	0.00%	
134 SOCCER FIELD COMPLEX	275,900	244,600	(31,300)	-11.34%	This fund has routine flactuations of 10% of higher
137 CFD 1033-Fire Station M&O	0	0	0	0.00%	
775 PERPETUAL CARE FUND	340,000	205,600	(134,400)	-39.53%	This fund has routine flactuations of 10% of higher
211 FIRE EQUIP ACQUISITION FD	114,000	34,000	(80,000)	-70.18%	This fund has routine flactuations of 10% of higher
TOTAL SPECIAL REVENUES	3,184,400	915,500	(2,268,900)	-71.25%	
CAPITAL PROJECT FUNDS:					
126 SPECIAL GAS TAX	838,100	468,500	(369,600)	-44.10%	This fund has routine flactuations of 10% of higher
129 1/2 CENT SALES & RD TAX	4,903,000	141,500	(4,761,500)	-97.11%	This fund has routine flactuations of 10% of higher
135 PROP42 TRAFFIC CONGESTION	1,094,400	52,500	(1,041,900)	-95.20%	This fund has routine flactuations of 10% of higher
208 VERDEMONT INFRASTRUCT	348,600	22,700	(325,900)	-93.49%	This fund has routine flactuations of 10% of higher
240 INFRASTRUCTURE LOAN	0	0	0	0.00%	
241 PUBLIC PARK EXTENSION	4,500	4,500	0	0.00%	
242 STREET CONSTRUCTION	(3,600,600)	0	3,600,600	100.00%	This fund has routine flactuations of 10% of higher
243 PARK CONSTRUCTION	668,400	80,600	(587,800)	-87.94%	This fund has routine flactuations of 10% of higher
244 CEMETERY CONSTR	48,800	45,300	(3,500)	-7.17%	
245 SEWER LINE CONSTR	4,037,300	94,800	(3,942,500)	-97.65%	This fund has routine flactuations of 10% of higher
246 PUBLIC IMPROVEMENT	933,100	52,100	(881,000)	-94.42%	This fund has routine flactuations of 10% of higher
247 CULTURAL DEVELOPMENT	424,500	282,500	(142,000)	-33.45%	This fund has routine flactuations of 10% of higher
248 STORM DRAIN CONSTR	3,278,400	123,800	(3,154,600)	-96.22%	This fund has routine flactuations of 10% of higher
250 TRAFFIC SYSTEM CONSTR	0	0	0	0.00%	
258 PROP 1B FUND	4,374,400	2,079,600	(2,294,800)	-52.46%	This fund has routine flactuations of 10% of higher
TOTAL CAPITAL PROJECTS	17,352,900	3,448,400	(13,904,500)	-80.13%	
ASSESSMENT DISTRICT FUNDS:					
251 OTHER ASSESMENT DISTR.	0	0	0	0.00%	
254 LANDSCAPE DISTRICTS	0	0	0	0.00%	
TOTAL ASSESSMENT DISTRICT	0	0	0	0.00%	
IMPACT FEE FUNDS:					
261 LAW ENFORCEMENT DEVEL	141,600	34,900	(106,700)	-75.35%	This fund has routine flactuations of 10% of higher
262 FIRE PROTECTION DEVEL	397,500	292,200	(105,300)	-26.49%	This fund has routine flactuations of 10% of higher
263 LOCAL CIRCULATION SYSTEM	547,100	54,700	(492,400)	-90.00%	This fund has routine flactuations of 10% of higher
264 REGIONAL CIRCULATION SYST	6,475,500	249,400	(6,226,100)	-96.15%	This fund has routine flactuations of 10% of higher
265 LIBRARY FACILITIES	16,500	0	(16,500)	-100.00%	This fund has routine flactuations of 10% of higher
266 PUBLIC MEETINGS FACILITIES	318,100	331,600	13,500	4.24%	
267 AQUATICS CENTER FACILITIES	118,800	132,800	14,000	11.78%	This fund has routine flactuations of 10% of higher
268 AB 1600 PARKLAND	2,003,400	914,200	(1,089,200)	-54.37%	This fund has routine flactuations of 10% of higher
269 QUIMBY ACT PARKLAND	276,200	238,400	(37,800)	-13.69%	This fund has routine flactuations of 10% of higher
TOTAL IMPACT FEE FUNDS	10,294,700	2,248,200	(8,046,500)	-78.16%	
DEBT SERVICE FUNDS:					
306 AD 987 Debt Service	71,300	58,400	(12,900)	-18.09%	This fund has routine flactuations of 10% of higher
356 AD 356 NEW PINE AVE	(377,300)	(345,200)	32,100	8.51%	
TOTAL DEBT SERVICE FUNDS	(306,000)	(286,800)	19,200	-6.27%	
ENTERPRISE FUNDS:					
527 REFUSE	(318,800)	0	318,800	-100.00%	This fund has routine flactuations of 10% of higher
INTERNAL SERVICE FUNDS:					
621 CENTRAL SERVICES FUND	0	0	0	0.00%	
629 LIABILITY FUND	(570,400)	(422,600)	147,800	25.91%	This fund has routine flactuations of 10% of higher
630 TELEPHONE SUPPORT	(28,000)	19,600	47,600	170.00%	This fund has routine flactuations of 10% of higher
631 UTILITY FUND	(262,600)	(230,000)	32,600	12.41%	This fund has routine flactuations of 10% of higher
635 FLEET SERVICES	400,300	340,300	(60,000)	-14.99%	This fund has routine flactuations of 10% of higher
678 WORKER'S COMP	(9,856,500)	(9,748,100)	108,400	1.10%	
679 INFORMATION TECHNOLOGY	189,200	153,300	(15,900)	-9.40%	
TOTAL INTERNAL SERVICE	(10,148,000)	(9,887,500)	260,500	2.57%	
TOTAL ALL FUNDS	22,144,600	(2,237,200)	(24,381,800)	-110.10%	

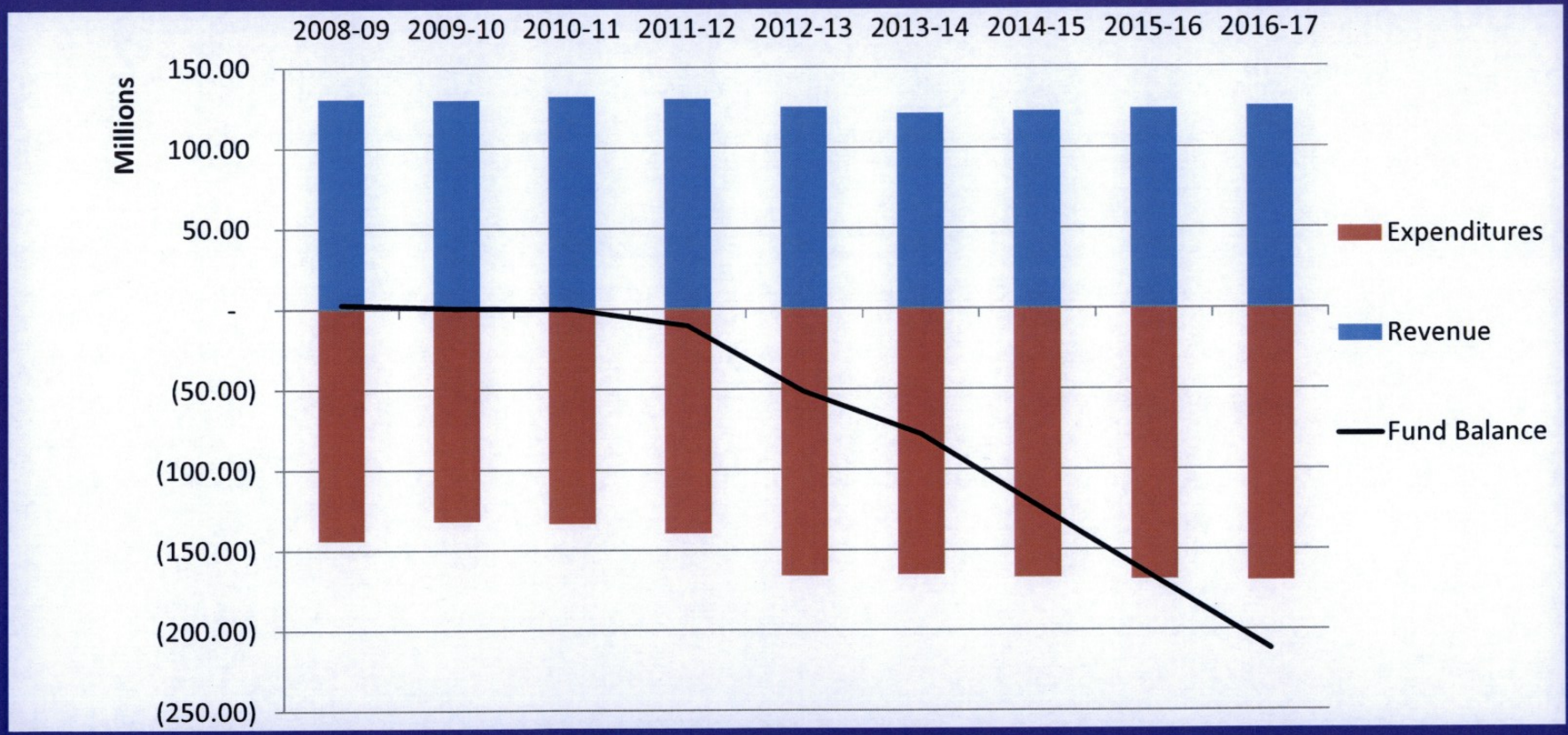
*General Fund has $3 million in loan liabilities that is not reflected in the beginning fund balance.

City of San Bernardino
General Fund 5-Year Financial Projection

	Updated 2010-2011	Projected 2011-2012	Projected 2012-2013	Projected 2013-2014	Projected 2014-2015	Projected 2015-2016
Beginning Fund Balance	2,998,000	$ 2,085,400	$ 1,325,000	$ -	$ -	$ -
Estimated Revenue:						
Property Taxes	27,117,100	27,375,000	27,648,800	27,925,300	28,204,600	28,486,700
Sales Taxes	22,954,400	24,577,500	25,314,800	26,074,300	26,856,500	27,662,200
Utility Users Taxes	22,016,800	22,500,000	22,725,000	22,952,300	23,181,800	23,413,600
Measure Z District Tax	5,517,000	5,650,000	5,819,500	5,994,100	6,173,900	6,359,100
Other Taxes	6,738,500	7,376,300	7,370,500	7,517,900	7,668,300	7,821,600
Total Taxes	**84,343,800**	**87,478,800**	**88,878,600**	**90,463,900**	**92,085,100**	**93,743,200**
Licenses and Permits	7,772,800	**7,832,700**	7,911,000	7,990,100	8,070,000	8,150,700
Fines and Penalties	3,049,000	2,884,000	2,912,800	2,941,900	2,971,300	3,001,000
Use of Money & Property	3,272,100	837,000	787,000	787,000	787,000	787,000
Intergovernmental	5,969,100	3,708,900	3,558,900	3,558,900	3,558,900	3,558,900
Charges for Services	5,554,900	5,940,300	5,999,700	6,059,700	6,120,300	6,181,500
Miscellaneous	5,290,700	5,684,200	5,684,200	5,684,200	5,684,200	5,684,200
Transfers In/Loan Proceeds	12,991,800	12,961,100	12,287,000	12,287,000	12,287,000	12,287,000
Total Other Revenues	**43,900,400**	**39,848,200**	**39,140,600**	**39,308,800**	**39,478,700**	**39,650,300**
Total Estimated Revenues	$ 128,244,200	$ 127,327,000	$ 128,019,200	$ 129,772,700	$ 131,563,800	$ 133,393,500
Expenditures:						
Salaries:						
Full Time	66,709,200	63,335,500	68,064,200	70,198,700	71,405,800	72,634,700
Part-Time	2,128,600	2,024,000	2,050,000	2,075,000	2,100,000	2,125,000
Special Pays	1,568,300	1,227,500	1,250,000	1,275,000	1,300,000	1,325,000
Overtime	7,328,800	6,558,800	6,690,000	6,823,800	6,960,300	7,099,500
MOU Concessions	(8,924,800)	(6,778,400)	-	-	-	-
Subtotal Salaries	**68,810,100**	**66,367,400**	**78,054,200**	**80,372,500**	**81,766,100**	**83,184,200**
Retirement:						
Safety Retirement	14,357,000	15,928,000	16,135,100	16,893,400	17,062,300	17,232,900
Miscellaneous Retirement	5,319,100	6,130,200	6,209,900	6,427,200	6,491,500	6,556,400
Subtotal Retirement Costs	**19,676,100**	**22,058,200**	**22,345,000**	**23,320,600**	**23,553,800**	**23,789,300**
Other Personnel Costs:						
City Paid Health Costs	9,294,700	8,699,500	8,699,500	8,699,500	8,699,500	8,699,500
Misc. Other Taxes	1,367,500	1,273,900	1,300,000	1,300,000	1,300,000	1,300,000
Subtotal Other Personnel	**10,662,200**	**9,973,400**	**9,999,500**	**9,999,500**	**9,999,500**	**9,999,500**
Maintenance & Operation	5,282,600	5,011,500	5,161,800	5,316,700	5,476,200	5,640,300
Contractual Services	7,060,100	6,233,800	6,233,800	6,233,800	6,233,800	6,233,800
Internal Service Charges	14,010,000	14,992,400	15,142,300	15,293,700	15,446,600	15,601,100
Capital Outlay	91,600	114,600	500,000	500,000	500,000	500,000
Debt Service Charges	2,171,400	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000
Loan Repayments	-	340,000	340,000	340,000	340,000	1,690,000
Est. Expenditure Savings Factor	(1,100,000)	(1,300,000)	(1,300,000)	(1,300,000)	(1,300,000)	(1,300,000)
Transfers Out	2,492,700	2,780,100	2,800,000	2,820,000	2,840,000	2,860,000
Total Estimate Expenditures	$ 129,156,800	$ 128,087,400	$ 140,792,600	$ 144,412,800	$ 146,372,000	$ 149,714,200
Budget Shortfall (Revenue-Expenses)	(912,600)	(760,400)	(12,773,400)	(14,640,100)	(14,808,200)	(16,320,700)
Reserve Fund Balance	$ 2,085,400	$ 1,325,000	$ (11,448,400)	$ (14,640,100)	$ (14,808,200)	$ (16,320,700)
FB as a % of Expenditures	1.61%	1.03%	-8.13%	-10.14%	-10.12%	-10.90%

Your Fiduciary Responsibilities

5 Year Budget and Fund Balance Estimates



Burning Issues in Municipal Finance

"You Picked a Fine Time to Run for Office!"

Burning Issues in Local Government Finance

1. Economic downturn – Local Fiscal Impacts
2. State Budget Meltdown
3. Unsustainable employee compensation levels – (i.e. Retirement Benefits, / OPEB)
4. Tax Structures out of step with changing society:
   - Sales tax, hotel tax, gas tax, utility user tax
5. Property Tax Fragmentation – Lack of local reallocation authority
6. Disconnect between service costs and revenues in urban development ("The fiscalization of land use")

Burning Issues in Local Government Finance

Sure Signs Things are Not Going Well!

- Depletion of reserves to balance budget
  - Expenditures exceeding revenues for two consecutive years, with the second year's deficit being larger
  - Operating expenditures exceeding revenues by more than five percent during the year
  - Declining and negative fund balances in discretionary funds
- Long-Term expenditure commitments without adequate cost controls
  - Escalating / "Auto-pilot" Labor contracts
  - Growing Unfunded Liabilities
- Increase in debt service as percentage of operating budget
  - Debt service exceeds to percent of current revenues
  - Outstanding short-term debt at the end of the fiscal year
- Inadequate or late financial reports
- Qualified auditor's opinions

Conclusion: Financial Management Today

- Fiscal Management Challenges Likely to Take Priority for many years
- Most all Policy Decisions and Council Actions have budgetary / financial planning implications
- Continuous Process – Plan > Monitor > Adjust
- On-going Learning
  - Community Economic Indicators
  - City Budget Details
  - State / Local Fiscal Reform – Vigilance & Advocacy

Resources

- League of California Cities
  - City Advocate Weekly
  - Regional Managers
  - League Alerts
  - Conferences / Seminars
- Institute for Local Governments (ILC)
- Government Finance Officers' Association (GFOA)
- California State Municipal Finance Officers (CSMFO)
- California Municipal Treasurers' Association (CMTA)
- www.CalfironiaCityFinance.com