

THOUSAND OAKS CITY COUNCIL



Supplemental Information Packet

H. Lawrence

Agenda Related Items - Meeting of June 22, 2010
Supplemental Packet Date: June 18, 2010

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council/Redevelopment Agency after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed, typically a minimum of two—one available on the Friday preceding the City Council/Redevelopment Agency meeting and the second on Tuesday at the meeting. The Friday Supplemental Packet is available for public inspection in the City Clerk Department, 2100 E. Thousand Oaks Boulevard, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2) and also at the Grant R. Brimhall/Newbury Branch Libraries and East Valley Sheriff Station. Both the Friday and Tuesday Supplemental Packets are available for public review at the City Council/Redevelopment Agency meeting in the City Council Chambers, 2100 E. Thousand Oaks Boulevard.

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M E M O R A N D U M

City of Thousand Oaks • Thousand Oaks, California
Finance Department 2010 JUN 17 PM 6:01

CITY CLERK DEPARTMENT
CITY OF THOUSAND OAKS

TO: Scott Mitnick, City Manager
FROM: John F. Adams, Finance Director
DATE: June 22, 2010
SUBJECT: Fiscal Year 2010-11 Budget Update – General Fund & Library Fund

RECOMMENDATION:

Approve FY 2010-11 Budget Adjustments to reduce General Fund revenues by \$3,930,150 and appropriations by \$3,810,089 and to reduce Library Fund revenues and appropriations by \$898,730.

FINANCIAL IMPACT:

FY 2010-11 General Fund and Library Fund reductions of \$4,828,880 in revenues and \$4,708,819 in appropriations.

The reduction in General Fund Operating revenues of \$3,930,150 will be off-set by various reductions in General Fund Operating appropriations and use of Fund Balance Reserves to cover nonrecurring costs such as the Ventura County Community Prosecution Program and the retirement and separation costs incurred to produce ongoing salary and benefit savings. The General Fund is likely to report a decrease in fund balance at the end of the fiscal year due to these one-time costs.

For FY 2010-11, the Library Fund's budgeted revenues are projected to decline by \$1,138,700. This decline is expected to be off-set by the County's continued adherence to the long-standing County/City Library Services Funding Agreement payment (which for FY 2010-11 will be \$350,000) and appropriation reductions of \$898,730. The remaining \$110,030 will be used to reduce the General Fund subsidy.

BACKGROUND:

The primary focus of the report is to amend the adopted FY 2010-11 budgets for the General Fund and Library Fund. At this point, budgets for other Governmental Funds remain unchanged from original adoption on June 9, 2009. The Redevelopment Agency Budget has already been amended by the City Council for the \$7.4 million take-away from the State in FY 2009-10 & FY 2010-11. Enterprise funds, except for the Theatre Fund, are currently self-sustaining. Staff may be returning to the City Council in the Fall to revise the Theatre Fund Budget as analysis for FY 2009-10 is completed.

TO COUNCIL 6-18-10
AGENDA ITEM NO. 10.B.
MEETING DATE 6-22-10

Fiscal Year 2010-11 Budget Update

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Challenges in Development of 2 Year Budget (FY 2009-10 and FY 2010-11) In response to the state of the economy, as part of the budget process, the City has already implemented a wide range of cost saving strategies as FY 2010-11 projected General Fund revenues have declined 15.2% since FY 2005-06. These strategies include eliminating funding for 17 positions through a retirement incentive in FY 2009-10, removing funding from an additional 17 vacant positions, reducing departmental Maintenance & Operations budgets, and utilizing an employee group to brainstorm and recommend budget savings and revenue enhancements.

Fiscal Year 2010-11 Budget Calendar: Because of the decline in revenues over the past fiscal years, it was important that staff adequately prepare for FY 2010-11 budget projections in order to properly and effectively strategize for reducing the budget gap. On June 9, 2009, City Council approved a two-year budget, which includes FY 2010-11. The Budget Calendar below, documents staff’s timeline as it relates to the monitoring and amending of the FY 2010-11 operating budget.

FY 2010-11 Budget Review Calendar	
FY 2009-10 Mid-Year Budget Update	February 23, 2010
Budget Review and Financial Strategic Plan Projections	March 1 – 19, 2010
City Council Goals Setting Workshop	March 23, 2010
Department Budget Gap Closing Strategies	March 29 – April 9, 2010
Executive Team Meeting	April 16, 2010
Finance Department Final Review	April 26 – 30, 2010
Amend contract between CalPERS and City	May 11, 2010
City Council Finance/Audit Committee Meeting	June 14, 2010
City Council Presentation	June 22, 2010

At the February 23, 2010 City Council meeting, staff presented a FY 2009-10 Mid-Year Budget Update of all funds. The presentation included FY 2010-11 revenue forecasts for the General Fund and Library Fund which indicated revenue reductions for the two funds in the amount of \$4.0 million. The General Fund portion of \$3.1 million is below.

Table 1 – General Fund Revenue Projection (February 23, 2010)

	FY 2010-11		
	Current Budget Adopted on 6/9/09	Projection as of 2/23/10	Variance (Budget vs 2/23/10 Projection)
Operating Revenues:			
Taxes	\$ 40,830,000	\$ 38,901,500	\$ (1,928,500)
Licenses and permits	5,041,300	4,306,400	(734,900)
Fines and forfeitures	420,200	420,200	-
Use of money and property	2,893,000	2,890,000	(3,000)
Charges for current services	5,640,200	5,445,100	(195,100)
Intergovernmental revenue	10,805,000	10,576,500	(228,500)
Reimbursements	448,700	448,700	-
Transfers In	2,050,000	1,995,000	(55,000)
Total	\$ 68,128,400	\$ 64,983,400	\$ (3,145,000)

Table 2 shows the projected revenue reductions of \$0.9 million in the Library Fund. The projected revenue reduction was off-set by increasing the General Fund subsidy to the Library Fund.

Table 2 – Library Fund Revenue Projection (February 23, 2010)

	FY 2010-11		
	Current Budget Adopted on 6/9/09	Projection as of 2/23/10	Variance (Budget vs 2/23/10 Projection)
Operating Revenues:			
Property Tax - Library District	\$ 6,285,000	\$ 5,385,000	\$ (900,000)
Redevelopment Property Tax Pass Thru Agreement	300,000	350,000	50,000
Library Fines and Fees	178,700	160,000	(18,700)
Interest Income	35,000	35,000	-
State Library Payment	40,000	40,000	-
County Library Payment	195,000	195,000	-
Miscellaneous	15,000	15,000	-
Total Estimated Revenues	\$ 7,048,700	\$ 6,180,000	\$ (868,700)
Transfers From Other Funds	1,991,598	2,860,298	868,700
Total Available for Allocation	\$ 9,040,298	\$ 9,040,298	\$ -

Since February 2010, staff has continued to monitor the economy and review and analyze its impacts on the City's local revenues. As a result, the revenue and appropriations for FY 2010-11 require further reduction. Special attention has been focused on the General Fund and Library Fund due to their reliance on elastic revenues in this struggling economy and the tie between the two funds as the General Fund subsidizes the Library Fund.

Following the City Council Goals Setting Workshop in March 2010, Finance staff made presentations to City Departments and the three bargaining units; Senior Management Association (SMA); Thousand Oaks Management Association (TOMA); and Thousand Oaks City Employee Association (TOCEA). The presentations provided insight into the current budget challenges including the declining revenue estimates and expenditure summaries for the General Fund and the Library Fund, short-term gap closing strategies used in the previous year that are no longer sustainable, and future budget challenges.

In light of the projected FY 2010-11 General Fund gap, City management has been meeting with representatives of the three bargaining units to discuss possible reductions in salary and benefit costs to the City. All three groups have active labor contracts, with two (SMA and TOMA) expiring June 30, 2011 and one (TOCEA) expiring December 31, 2011.

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The Executive Team met on April 16, 2010, to discuss strategies to reduce expenditures and staffing levels, with the goal of minimizing the impacts on customer service levels, as well as possible additional expenditure reductions.

DISCUSSION/ANALYSIS:

Revenue Update for FY 2010-11

During the past several months, Finance staff has continued to analyze the impact of the economy on revenue of both the General Fund and Library Fund and determined further reductions were warranted.

Table 3 below shows the General Fund's FY 2010-11 original revenue budget of \$68.1 million (adopted on June 9, 2009), the projected revenue budget presented in February 2010 to City Council, and current projected revenue budget.

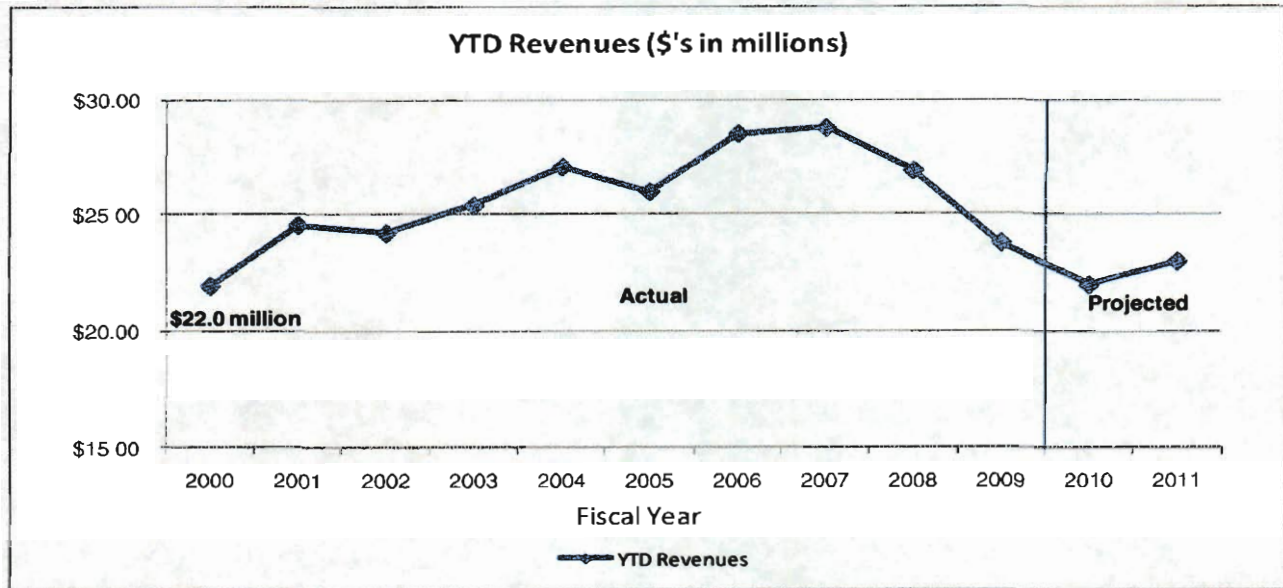
Table 3 – General Fund Projected Revenues FY 2010-11 (March 2010)

Revenue Source	Original Budget FY 2010-11	Projected Budget (2/23/10) FY 2010-11	Variance Over/(Under)	Projected Budget (3/23/10) FY 2010-11	Variance (Projected to Original) Over/(Under)	% of increase (decrease)	% of total
Property tax	\$ 7,300,000	\$ 6,950,000	\$ (350,000)	\$ 6,950,000	\$ (350,000)	-4.79%	10.7%
Sales tax	24,000,000	23,040,000	(960,000)	23,040,000	(960,000)	-4.00%	35.2%
Transient occupancy tax	2,865,000	2,246,500	(618,500)	2,246,500	(618,500)	-21.59%	4.2%
Franchise fee	6,015,000	6,015,000	-	5,710,000	(305,000)	-5.07%	8.8%
Property transfer tax	650,000	650,000	-	650,000	-	0.00%	1.0%
Business license	2,070,000	2,000,000	(70,000)	2,000,000	(70,000)	-3.38%	3.0%
License & permits	2,971,300	2,306,250	(665,050)	2,301,250	(670,050)	-22.55%	4.4%
Intergovernmental	10,805,000	10,576,500	(228,500)	10,388,500	(411,500)	-3.81%	15.9%
Charges for services	5,640,200	5,445,100	(195,100)	5,445,100	(195,100)	-3.46%	8.3%
Use of money & property	2,893,000	2,890,000	(3,000)	2,638,000	(255,000)	-8.81%	4.2%
Fines and penalties	420,200	420,200	-	390,200	(30,000)	-7.14%	0.6%
Other revenue	448,700	448,700	-	448,700	-	0.00%	0.7%
Other financing sources	2,050,000	1,995,000	(55,000)	1,995,000	(65,000)	-3.17%	3.0%
Total Revenues	\$ 68,128,400	\$ 64,983,250	\$ (3,145,150)	\$ 64,198,250	\$ (3,930,150)	-5.77%	100%

As **Table 3** indicates, Sales Tax revenue comprises 35.2% of General Fund revenues and, being elastic in nature, has been heavily impacted by the economic downturn. In FY 2010-11, Sales Tax revenue is projected to be \$23 million, \$1.0 million (4.2%) less than the original budget.

As **Table 4** on the next page shows, the City's original sales tax assumptions in the Spring of 2009 were relatively conservative in anticipation of the slowing economy. Sales Tax is anticipated to come in at \$22 million for FY 2009-10, while the budget projected \$23.0 million. Analysis of the most recent sales activity indicates FY 2010-11 will show an increase year-over-year growth.

Table 4 – Sales Tax Revenues



Along with the reduction of projected Sales Tax revenues, other revisions to General Fund are highlighted below:

- **Property Tax** revenues are budgeted at \$7.3 million, but projected to be under budget by \$0.4 million (4.8%) due to a reduction in expected assessed valuation.
- **Interest Earnings** are budgeted at \$2.2 million, but projected to be \$2.0 million; \$0.2 million (11.35%) under budget, due to declining interest rates.
- **Development Related Permits & Fees** (Building & Safety, Planning, and Public Works) are budgeted at \$3.0 million, but projected to be \$2.3 million; \$0.7 million (22.6%) under budget, due to declining development related activity.
- **Transient Occupancy Tax** revenues are budgeted at \$2.9 million, but projected to be \$2.2 million; \$0.7 million (21.6%) under budget, due to the slowdown in the economy and addition of other hotels in surrounding communities.

Table 5 on the next page shows the Library Fund's FY 2010-11 original revenue budget of \$7.0 million (adopted on June 9, 2009), the projected revenue budget presented to City Council on February 23, 2010, and the current projected revenue budget.

Table 5 – Library Fund FY 2010-11 Projections (March 2010)

Amount Available for Allocation	Original Budget FY 2010-11	Projected Budget (2/23/10) FY 2010-11	Variance Over/(Under)	Projected Budget (3/23/10) FY 2010-11	Variance (Projected to Original) Over/(Under)	% of increase (decrease)
Estimated Revenues:						
Property Tax - Library District	\$ 6,285,000	\$ 5,385,000	\$ (900,000)	\$ 5,335,000	\$ (950,000)	-15.12%
Redevelopment Property Tax Pass Thru Agreement	300,000	350,000	50,000	325,000	25,000	8.33%
Library Fines and Fees	178,700	160,000	(18,700)	160,000	(18,700)	-10.46%
Interest Income	35,000	35,000	-	35,000	-	0.00%
State Library Payment	40,000	40,000	-	40,000	-	0.00%
County Library Payment	195,000	195,000	-	-	(195,000)	-100.00%
Miscellaneous	15,000	15,000	-	15,000	-	0.00%
Total Estimated Revenues	\$ 7,048,700	\$ 6,180,000	\$ (868,700)	\$ 5,910,000	\$ (1,138,700)	-16.15%
Transfers From Other Funds	1,991,598	2,860,298	868,700	2,456,098	464,500	23.32%
Total Available for Allocation	\$ 9,040,298	\$ 9,040,298	\$ -	\$ 8,366,098	\$ (674,200)	-7.46%

As shown above, Property Tax revenues are projected to be \$0.9 million below budget. In addition, Ventura County submitted a formal notice to the City in December 2009 to terminate the long-standing County/City Library Services Funding Agreement effective July 1, 2010, in the middle of the on-going County/City funding negotiations. The original budget for this payment was \$195,000. For purposes of this illustration, this revenue source was removed from the projected budget in March 2010. The County recently found that the calculation of the Library's share over the past decade has been inaccurate and would result in a revised projected payment for FY 2010-11 of \$350,000 if the Agreement is not terminated. The County also submitted its restoration payment for prior years underfunding and interest in the amount of \$977,400. Negotiations over the funding agreement are expected to resume in July 2010. The County CEO has recommended that the Board of Supervisors provide funding of \$350,000 for FY 2010-11. With current projected reductions in Library revenues of \$1.1 million, if the City and County can come to an agreement to continue the Library Services Funding and recognize the \$350,000 County participation payment, the gap will lessen to \$0.8 million.

Staff anticipates that the current shortfall in General and Library Fund revenues will be offset with various salary and benefit savings, law enforcement contract savings, and reductions in maintenance and operations appropriations for FY 2010-11. These savings and reductions will be discussed in greater detail further on in the report.

Appropriations Update for FY 2010-11

Table 6 shows the original General Fund budget for Salaries & Benefits at \$31.9 million. The projected budget of \$29.5 million includes savings resulting from recent efforts to reduce staff costs. The Law Enforcement contract was originally budgeted at \$26.1 million or 35.9% of the General Fund operating allocations. Currently, the estimated Law Enforcement contract costs savings are \$0.6 million, or a total budgeted cost of \$25.5 million. The remaining \$14.7 million of the General Fund's budget covers miscellaneous Maintenance & Operations costs, such as contracted services, utilities, and other costs that the City is obligated to pay.

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Listed at the bottom of **Table 6** are one-time appropriations which will use General Fund reserves as authorized by City Council. Since these appropriations are one-time in nature, it is within City policy to pay for these using one-time revenues or reserves.

Table 6 – General Fund Appropriations for FY 2010-11 (March 2010)

<u>Program Allocations</u>	<u>Original Budget FY 2010-11</u>	<u>Projected Budget FY 2010-11</u>	<u>Variance</u>
Revenues	\$ 66,078,400	\$ 62,213,250	\$ (3,865,150)
Transfers In	2,050,000	1,985,000	(65,000)
Total Revenues	<u>\$ 68,128,400</u>	<u>\$ 64,198,250</u>	<u>\$ (3,930,150)</u>
Salaries & Benefits	\$ 31,856,685	\$ 29,548,115	\$ (2,308,570)
Maintenance and Operations:			
Supplies and Equipment	1,791,550	1,701,550	(90,000)
Repairs and Maintenance	3,639,949	3,639,949	-
Professional/Contractual Services	4,465,075	4,262,575	(202,500)
Law Enforcement Contract Services	26,100,125	25,470,125	(630,000)
Utilities	1,589,950	1,589,950	-
Insurance and Claims	1,207,000	780,400	(426,600)
Equipment/Building Rental	767,550	767,550	-
Training and Memberships	431,860	431,860	-
Asset Replacement Funding	803,625	803,625	-
Total Maintenance and Operations	<u>\$ 40,796,684</u>	<u>\$ 39,447,584</u>	<u>\$ (1,349,100)</u>
Charge Backs	(7,371,020)	(7,413,409)	(42,389)
Total Operating Allocations	<u>\$ 65,282,349</u>	<u>\$ 61,582,290</u>	<u>\$ (3,700,059)</u>
Capital/Maintenance Improvements	3,027,200	3,027,200	-
Transfers to Other Funds	3,481,051	2,393,560	(1,087,491)
(Includes the Library Restoration Payment of \$977,461)			
County Community Prosecution Program	115,500	115,500	-
Retirement/Separation Costs	-	857,400	857,400
Total Program Allocations	<u>\$ 71,906,100</u>	<u>\$ 67,975,950</u>	<u>\$ (3,930,150)</u>
	<u>\$ (3,777,700)</u>	<u>\$ (3,777,700)</u>	<u>\$ -</u>
<u>Use of Fund Balance - Reserves</u>			
Capital Projects (General Fund/Library)	\$ 3,452,200	\$ 3,452,200	\$ -
Holiday Furlough	210,000	210,000	-
County Community Prosecution Program	115,500	115,500	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

On the next page, **Table 7** reflects the March 2010 revised projected revenue reductions totaling \$1.1 million and \$350,000 annual library payment from the County of Ventura. This brings the gap to \$0.8 million. Current proposed appropriation reductions total \$0.9 million, primarily from a reduction of \$0.8 million in salary and benefits. The remaining \$0.1 million will be used to reduce the General Fund subsidy to the Library Fund.

Table 7 –FY 2010-11 Proposed Library Fund Budget Reductions (March 2010)

	Original Budget 2010/2011	Revised Budget 2010/2011	Variance
Amount Available for Allocation:			
Estimated Revenues:			
Property Tax - Library District	\$ 6,285,000	\$ 5,335,000	\$ (950,000)
Redevelopment Property Tax Pass Thru Agreement	300,000	325,000	25,000
Library Fines and Fees	178,700	160,000	(18,700)
Interest Income	35,000	35,000	-
State Library Payment	40,000	40,000	-
County Library Payment	195,000	350,000	155,000
Miscellaneous	15,000	15,000	-
Total Estimated Revenues	\$ 7,048,700	\$ 6,260,000	\$ (788,700)
Transfers From Other Funds	1,991,598	1,928,968	(62,630)
Total Available for Allocation	\$ 9,040,298	\$ 8,188,968	\$ (851,330)
Estimated Requirements:			
Operating Expenditures:			
Salaries & Benefits	\$ 6,163,713	\$ 5,387,383	\$ (776,330)
Maintenance and Operations:			
Supplies and Equipment	911,110	856,110	(55,000)
Repairs and Maintenance	355,075	355,075	-
Professional/Contractual Services	656,600	656,600	-
Utilities	399,600	379,600	(20,000)
Equipment/Building Rental	23,800	23,800	-
Training and Memberships	34,450	34,450	-
Asset Replacement Funding	70,950	70,950	-
Total Maintenance and Operations	\$ 2,451,585	\$ 2,376,585	\$ (75,000)
Capital Outlay:			
Capital Outlay	\$ 50,000	\$ 50,000	\$ -
Use of Asset Replacement	(50,000)	(50,000)	-
Total Capital Outlay	\$ -	\$ -	\$ -
Capital Improvements	\$ 425,000	\$ 425,000	\$ -
Total Program Allocations	\$ 9,040,298	\$ 8,188,968	\$ (851,330)

Fiscal Year 2010-11 Appropriation Reductions (Gap Closing Strategies)

In order to bring reoccurring appropriations in line with operating revenues, staff recommends various adjustments, as presented in Table 8.

On Monday, June 14, 2010, staff met with the City Council Finance/Audit Committee to discuss the projected reductions in the General Fund and Library Fund, along with the associated strategy to ensure FY 2010-11 starts off fiscally balanced. The table below summarizes the recommendations that the Committee provided concurrence on.

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Table 8 shows the budget shortfall for FY 2010-11, along with various cost cutting recommendations to reduce the deficit to start FY 2010-11 fiscally balanced.

Table 8 –FY 2010-11 General Fund & Library Fund Budget Reconciliation
As of June 22, 2010

Current Budget Shortfall (includes Law Enforcement Contract savings):	\$ 4,738,850	
Potential Budget Savings:		
Salary/Benefits Savings - 28 Positions - 26 CalPERS Incentive Plan + 2 DPTs *	(1,546,300)	1,2
Salary/Benefits Savings - SMA (No increase for FY 2010-11)	(354,600)	
Salary/Benefits Savings - TOMA (No increase for 9 months for FY 2010-11)	(225,100)	
Salary/Benefits Savings - TOCEA (No increase for FY 2010-11)	(187,200)	
Salary/Benefits Savings - EXEC (No increase for FY 2010-11)	(60,900)	
Salary/Benefits Savings - Council (No increase for FY 2010-11)	(13,700)	
Salary/Benefits Savings - Unfund Four Vacant Positions	(229,200)	
Salary/Benefits Savings - Five Layoffs **	(467,900)	
Citywide Savings:	<u>\$ (3,084,900)</u>	
Additional Law Enforcement Contract Costs Savings	(300,000)	3
Total Salary/Benefits & Contract Costs Savings	<u>\$ (3,384,900)</u>	
Revised Gap (less Salary/Benefits & Law Enforcement Savings)	<u>\$ 1,353,950</u>	
Potential Department Savings/Revenues:		
County Library Payment	(350,000)	4
General Fund - Graffiti costs paid by Lighting/Landscaping	(63,000)	
Life & LTD Rates	(105,600)	
Property, Liability, and Workers' Compensation Rates	(321,000)	5
Debt Service Savings	(47,400)	
Other Department Maintenance & Operations Reductions	(346,889)	
Total Potential Department Savings/Revenues:	<u>\$ (1,233,889)</u>	
Sub-Total Revised Gap	<u>\$ 120,061</u>	
Cost of Retirement Incentive:		
* Retirement - Accrual Buyout	602,300	
** Layoff - Severance & Accrual Buyout	172,100	
OPEB payment (Increase to meet ARC)	83,000	
Total Cost of Retirement Incentive:	<u>857,400</u>	
Sub-Total Use of Fund Balance:	<u>\$ 977,461</u>	
Use of Fund Balance: County Library Restoration Funding (One-Time Revenue)	(977,461)	6
Total Revised Gap (over)/under budget:	<u>\$ -</u>	

NOTES:

- ¹ Of the 26 retirees taking the CalPERS incentive, 24 will be leaving the City in December.
 - ² Annual salary/benefit savings projected at \$2.9 million, but with most working until December projected savings are estimated at \$1.5 million.
 - ³ Projected savings based on a 3.6% increase vs. a 5% Budget, final rate pending.
 - ⁴ Annual County Library payment is still in negotiations for FY 2011-12 and subsequent years.
 - ⁵ Insurance renewal savings based on staff report going to Council on 6/22/10.
 - ⁶ One-time restoration payment for prior years miscalculation of County Participation reimbursement dating back to 1999.
- * One time separation costs for employees taking the CalPERS incentive plan:
 Accrual Buyout: \$602,300 and additional employer contributions of \$81,000 per year (for 20 years starting in FY 2011-12)

As **Table 8** on the previous page summarizes the major categories, staff has provided brief descriptions below.

1. Salary and Benefits Savings – 26 Retirees (CalPERS) + 2 DPT's (\$1,546,300)

In April 2010, management began looking at staffing levels to determine positions that could be eliminated within their department, while continuing to offer the same service levels. Various ideas were discussed for offering a retirement incentive to those employees that are of retirement age and have worked with the City for more than five years. The initial discussion of incentives ranged from depositing funds in a retirement health savings account to offering a two-year additional service credit with CalPERS.

The decision was made to amend the City's contract with CalPERS to allow the City to offer a two-year additional service credit to targeted positions. City Council approved the contract amendment on May 11, 2010. There were 46 positions targeted. Twenty six full-time employees took the retirement incentive at an estimated cost of \$1.1 million amortized over 20 years, which equals \$81,000 annually or a 0.26% increase to the City's Employer Rate beginning in FY 2012-13. An additional two designated-part time employees also submitted retirement paperwork. Total annual salary and benefits savings from the elimination of the 28 positions is estimated at \$2.9 million, with FY 2010-11 savings of \$1.5 million.

2. Salary and Benefits Savings – inc. Bargaining Unit Negotiations (\$841,500)

Management also negotiated with each of the bargaining units SMA, TOMA and TOCEA. SMA agreed to forego their FY 2010-11 pay for performance salary adjustments for an estimated savings of \$354,600. The City in turn agreed to change the annual leave buyout provisions from 100 to 200 hours for the remaining year of their contract. TOMA agreed to delay their July 2010 contracted pay for performance salary adjustments for nine months until April 2011 at an estimated savings of \$225,100. TOCEA agreed to delay their January 2011 contracted 3 percent cost-of-living adjustment for six months until July 2011 at an estimated savings of \$187,200.

The City Council and the Executive Management team postponed their salary increases for this upcoming fiscal year for an estimated salary and benefits savings of \$74,600.

3. Salary and Benefits Savings – Unfunded Positions & Layoffs (\$697,100)

Staff is also proposing to eliminate funding for four vacant General Fund/Library Fund positions for an estimated salary and benefits savings of \$229,200.

The City was anticipating a minimum of 33 retirements, but only received 26 participants to the plan. An additional two designated part-time employees also retired, but are not CalPERS members and do not qualify for the retirement incentive. Therefore, five positions were targeted for layoffs. These five layoffs are estimated to have an annual salary and benefit savings of \$467,900.

4. Department Savings/Revenues (887,000)

Anticipated receipt of the annual County Library funding in an amount of \$350,000.

The Landscaping Fund 142 will now be responsible for 42% of the cost of graffiti maintenance that is currently paid for entirely by the General Fund for an estimated savings of \$63,000.

Insurance rates/premiums decreases due primarily to the packaging of various insurance coverage's into one policy and a better insurance environment than in prior years, resulting in savings of approximately \$105,600 for life insurance and long-term disability, and \$321,000 for property, liability, and workers' compensation.

Refunding of 2002 Library Certificates of Participation resulting in debt service savings of \$47,400.

5. Cost of Various Retirement Incentives (\$0)

The one-time cost of offering various salary and benefit incentives including, but not limited to accrual buyouts and severances totaled approximately \$857,400, and will be paid for using one-time revenues and fund balance.

6. Department Maintenance & Operations Reductions (\$294,500)

a. City Council (CC)/City Manager's Office (CMO) (\$30,000)

Savings is primarily from the County Witness Coordination Program, since County is not requesting funding for FY 10-11.

b. Finance Department (FIN) (\$52,000)

Savings are in the following categories: 1) Information Technology (Web Hosting), 2) General Services (Paper and Postage), and 3) Facilities (various reductions).

c. Police Department (POL) (\$35,000)

Savings are from reductions in Vehicle Maintenance and Fuel.

d. Public Works Department (PWD) (\$92,500)

Savings are from reductions in Design & Engineering Contract Services that are off-set by a reduction in revenue.

e. Community & Cultural Services (CCS) (\$10,000)

Savings are from reductions in Building Repair & Maintenance.

f. Library (LIB) (\$75,000)

Savings are from reductions in Materials and Utilities.

7. Debt Service Savings (\$47,400)

Staff refunded the 2002 Certificates of Participation in June and issued 2010 Refunding Lease Revenue Bonds in order to take advantage of lower interest rates, which provided a present value savings of 4.2% or \$0.7 million over the life of the bonds. Savings to be recognized in FY 2010-11 is \$47,000. Standard & Poor's issued a rating for the 2010 Refunding Lease Revenue Bonds of AA+ with a stable outlook, as well as affirming its AA+ rating of the 2002 COP's. According to S&P, the rationale for the rating is based on the City's strong general creditworthiness, lease structure with City's covenant to budget and appropriate lease payments, City's stable residential assessed value, City's above-average income and wealth indicators, and history of maintaining strong unreserved fund balance.

8. General Liability Chargeback Savings (\$52,389)

On June 9, 2009, City Council approved up to \$250,000 chargeback from the Liability Insurance Fund to reduce General Fund appropriations for general liability costs. Staff used \$232,073 to balance the FY 2010-11 budget and is now requesting an additional amount up to \$300,000.

Fiscal Year 2010-11 Changes in City Positions

Due to the reduction in staffing levels during the last several fiscal years, staff is doing more with less. Employees are relying more on automation and working more efficiently, but a reduction of 74 positions from FY 2007-08 to FY 2010-11 will have an effect on customer service levels and the timely accomplishments of major goals and objectives.

Table 9 through **Table 11** display the history of funded positions from FY 2007-08 to the projected positions for FY 2010-11. **Graph 12** compares funded positions to revenues for the same period.

Table 9 - Citywide Funded & Unfunded Position Summary (including DPT's)

	FY	07-08	08-09	09-10	10-11	Projected (as of 1/1/11) 10-11
Funded		483	472	459	449	409
Unfunded		0	11	24	34	74
Total City		483	483	483	483	483
Police		113	113	111	111	111
Total		596	596	594	594	594

**Table 10 - Citywide Funded Positions by Funding Source, including DPT's
 (excluding contract police positions)**

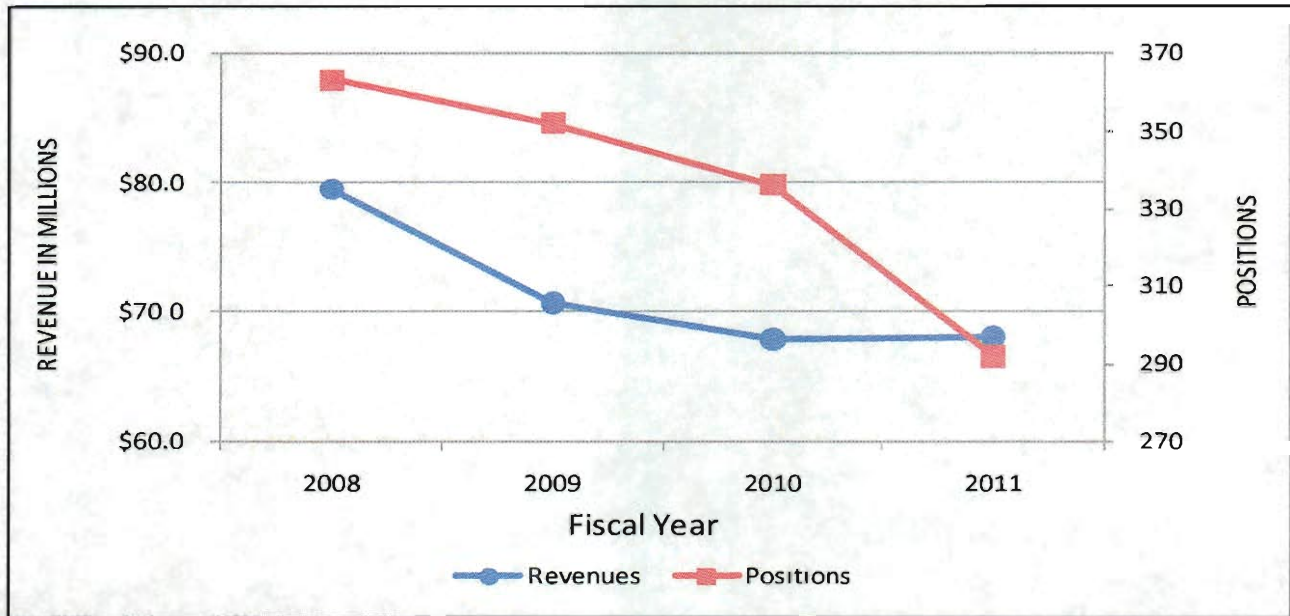
FY						Projected FY 07-08 to	
	07-08	08-09	09-10	10-11	10-11	Change	
General Fund	294	286	272	266	238	-56	
Library	69	66	64	60	49	-20	
Water	32	32	31	31	29	-3	
Wastewater	56	56	59	58	59	3	
Other Funds	32	32	33	34	34	2	
Total City	483	472	459	449	409	-74	

**Table 11 - General Fund & Library Fund - Funded Positions, including DPT's
 (excluding contract police positions)**

FY						Projected FY 07-08 to	
	07-08	08-09	09-10	10-11	10-11	Change	
Library	69	66	64	60	49	-20	*
CDD	77	75	71	71	57	-20	
DPW	110	107	101	98	91	-19	
FIN	59	56	55	53	50	-9	
CMO	13	13	12	11	11	-2	
CCS	9	9	8	8	7	-2	
City Clerk	9	9	8	8	8	-1	
HRD	9	9	9	9	8	-1	
CAO	6	6	6	6	5	-1	
Police	2	2	2	2	1	-1	
Total General Fund & Library Fund	363	352	336	326	287	-76	

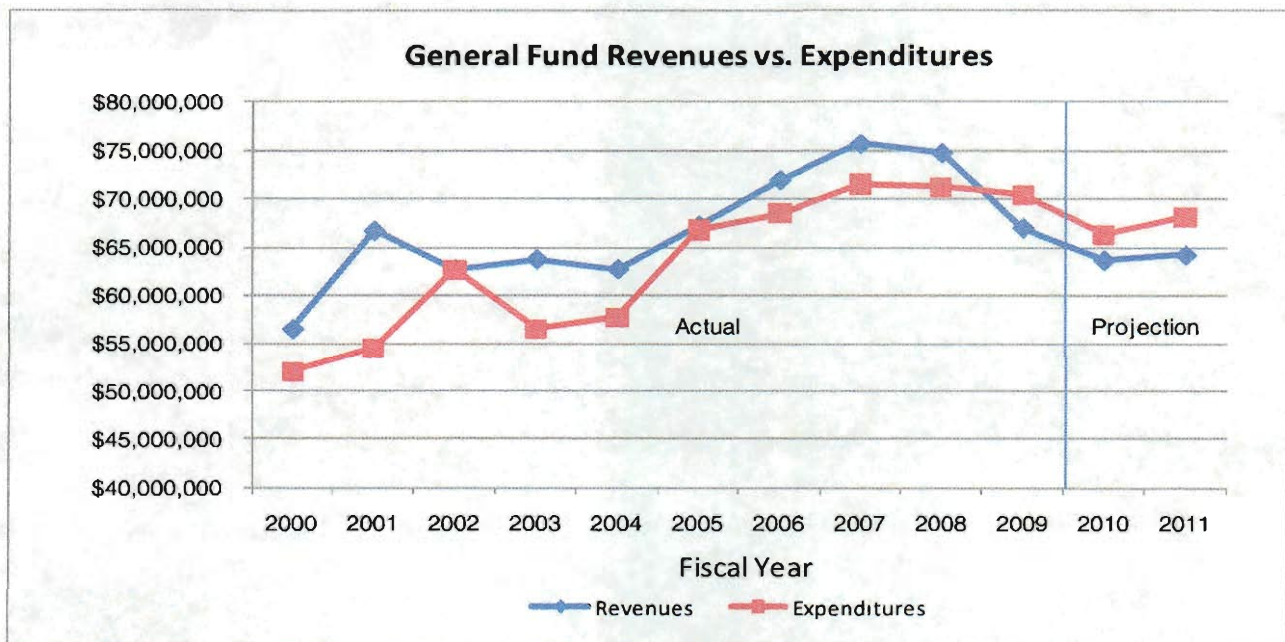
* Included in the Library Department's 20 positions are six designated part-time (DPT) positions.

Table 12 - General Fund & Library Fund - Funded Positions to Revenues



With the economic and financial market concerns that have confronted the local economy over the past few years, the City's learning to adjust to what some are calling "the New Normal." Revenues are going to recover and eventually increase, but not at levels previously experienced. To close the gap, the City will have to live with appropriation levels which have been lower than in the past.

Table 13 – Actual/Projected General Fund Revenues vs. Expenditures (incl. CIP)



Fiscal Year 2010-11 Budget Update

June 22, 2010

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Summary

As the analysis shows, the City's original budget projections in spring of 2009 were relatively conservative in anticipation of the slowing in the economy projected in the City's long-term Financial Strategic Plan. The forward-thinking and foresight of the City Council and the City's Financial Strategic Plan has served the City well over the past decade and played an important role in helping balance the budget for FY 2010-11 and in prior fiscal years. For example, the Financial Strategic Plan's previous conclusion that the City could not afford to implement any new programs or services without off-setting revenues and/or service reductions will continue to be part of the budget review process. The City appears to be in relatively good shape compared to the State and other California cities for FY 2010-11. However, the City should remain concerned about impacts of future attempts by the State to close its budget deficit on the backs of cities and redevelopment agencies, as it did this year and next. The City must continue to react to changes in the local economy and potential effects on City revenues going forward.

Staff believes these recommendations are the most responsible approach to addressing the upcoming budget challenges. The current recommended budget adjustments do not take into account any new reductions to the City by either the State of California or County of Ventura to reduce their own budget deficits. Staff will continue to monitor City revenues and appropriations throughout FY 2010-11 and will inform City Council if any material changes/impacts arise.

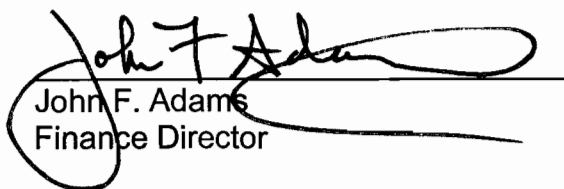
The following chart contains some of the upcoming dates related to the FY 2010-11 Budget, as well as the start of the next two-year budget cycle:

FY 2010-11 Budget Calendar	
City Council Presentation	June 22, 2010
Beginning of Fiscal Year 2010-11	July 1, 2010
FY 2011-13 Budget Calendar to City Council	November 16, 2010
FY 2010-11 Mid-Year Budget and Payroll Analysis	March 2011

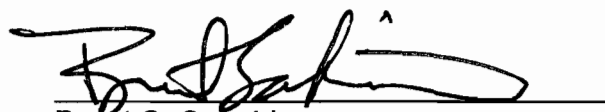
CITY COUNCIL GOAL COMPLIANCE:

Meets City Council Goal B: "Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family."

Submitted By:


John F. Adams
Finance Director

Prepared By:


Brent S. Sakaida
Budget Officer