

FY 2013-14 BUDGET STUDY SESSION

APRIL 30, 2013

GUIDING PRINCIPLES

- Maintain minimum 5% reserve as proposed in bankruptcy 5-year business plan.
- Conservatively project revenues.
- Use Measure B only to augment existing services or rebuild reserves.
- Use a five year financial forecast
- Continue contributions to reduce long-term liabilities and address maintenance deficiencies
- Goal is to achieve structural balance, where ongoing revenues = ongoing expenditures.

BIG PICTURE

FY 13/14 Preliminary Draft General Fund Budget		
Beginning Available Balance	\$6,609,023	
Projected Revenues (Excluding Measure B)	<u>70,206,530</u>	
Available Funds:	\$76,815,553	
Expenditures:		
Projected Salaries & Benefits	70,261,256	
Projected Operations & Maintenance	8,445,274	
5% Reserve	<u>3,609,023</u>	
Expenditures + Reserve	82,315,553	
Projected Deficit	(5,500,000)	

ADDRESSING BUDGET DEFICITS THE THREE "R"s

Revenues Reserves Reductions

PRIMARY VARIABLES IN VALLEJO'S BUDGET:

Revenue projections Contributions to reserves Infrastructure spending Supplemental payments for PERS/OPEB liabilities Overtime Vacancies Compensated Absences Salaries and Benefits

GENERAL FUND REVENUES*

- Property Tax +2%
- Sales Tax +4%
- > All Taxes + \$1,300,000
- Development revenues + \$141,000
- Code Enforcement revenues + \$100,000
- SAFER Grant revenues estimate \$744,000
- All General Fund Revenues + \$2,400,000 or + 3%

* Subject to further revision before completion of the Proposed Budget

GENERAL FUND EXPENDITURES*

Significant expenditure increases:

- > OPEB \$1,484,000
- CalPERS \$1,508,700
- Social Security & other benefits \$ 200,000
- Utilities \$ 180,000
- Service & Supplies \$2,164,000

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INITIAL ADJUSTMENTS TO PRELIMINARY DRAFT BUDGET

- Assumes elimination of vacant positions \$700,000 reduction
- Maintained Infrastructure funding at FY 12/13 levels -\$2,400,000 reduction from last (FY 12/13) Five Year Financial Forecast.
- Increased projected vacancy rate \$2,000,000 savings

5-YEAR GENERAL FUND FINANCIAL FORECAST

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Beginning Available Balance	3,609	3,609	3,509	3,464	3,473
Revenues					
Taxes	57,441	58,352	59,291	60,259	61,257
Program Revenue	12,766	11,358	9,634	9,654	9,675
	70,207	69,710	68,925	69,913	70,932
Expenditures					
Salaries/Benefits	70,261	68,981	69,685	71,185	72,591
Other	15,036	19,440	19,175	19,559	19,495
Interfund reimbursements	(9,590)	(9,590)	(9,590)	(9,590)	(9,590)
	75,707	78,831	79,270	81,154	82,496
Net Change	(5,500)	(9,121)	(10,345)	(11,241)	(11,564)
Anticipated Compensation/Cost Reduction	5,500	9,021	10,300	11,250	11,600
Ending Available Balance	3,609	3,509	3,464	3,473	3,509
	4.8%	4.5%	4.4%	4.3%	4.3%

NOTE: 1. Numbers are in thousands

2. Measure B is excluded



PROJECTS COMPLETED DURING FY 2012/13

- Downtown Streetscape Phase 2
 - Budgeted FY 11/12
 - Virginia and Sacramento Streets
 - Construction complete June 2013
 - Capital Grants and Gas Tax
 - Project cost \$2.7M
- Citywide Street Rehabilitation
 - Budgeted FY 10/11 and FY 11/12
 - Mini, Magazine, Florida, Skyline, Rollingwood
 - Construction complete February 2013
 - Capital Grants and Gas Tax
 - Project cost \$2.6M

CONTINUING PROJECTS

Vallejo Station Parking Structure

- Budgeted prior years \$57M
- Phase A construction complete, construction \$21.5M
- Parking revenue system installation June 2013, \$600,000

Vallejo Station Environmental

- Included in overall Vallejo Station Budget above
- Short-term groundwater treatment \$1.5M
- Long-term soil remediation \$3.8M

Vallejo Station Post Office Relocation

- Included in overall Vallejo Station Budget \$6.1M
- Annex (Distribution Center) purchase and design
- Retail Center seismic retrofit

CONTINUING PROJECTS (CONT.)

SOLTRANS Vallejo Parking & Transit Hub

- Budgeted FY10/11 and FY11/12
- Funded with Transportation Capital Grants
- Currently in design phase
- Total project budget \$3.3M

Hiddenbrooke Park

- Budgeted FY12/13
- Funded by Greater Vallejo Recreation District
- Construction by City under MOU
- Currently in environmental/design phase
- Total project budget \$1.5M

MARE ISLAND MAJOR MAINTENANCE

All major maintenance items are funded with Mare Island Community Facilities District Funds

Mare Island Street Rehabilitation

- Budgeted in FY11/12 \$680,000
- Construction complete April 2013

➢Mare Island Causeway Bridge

- Budgeted in FY11/12 \$2.7M
- Currently in final design phase
- Construction scheduled for spring 2014

NEW PROJECTS PROPOSED FOR FY13/14

Sacramento Street Bridge

- Originally budgeted FY 07/08 and FY 10/11 as a seismic retrofit project
- Caltrans and City have defined new scope as a replacement project and new budget for FY 13/14
- Capital Grants and Capital Outlay \$4.6M
- Currently in preliminary engineering (PE) phase

Downtown Streetscape Phase 3

- Capital Grants and Gas Tax \$2.4M
- Georgia and Sacramento Streets
- Construction scheduled for spring 2014

MEASURE B PROJECTS

➤Completed FY 12/13 Measure B Projects

- Slurry Seal Project \$571,000 Measure B, \$275,000 Glen Cove, \$309,000 Hiddenbrooke
- Marina Dredging \$300,000 Measure B, \$375,000 Marina
- North Mare Island Building Demolition (environmental assessments) - \$18,000

➤Continuing FY 12/13 Measure B Projects

- Street Rehabilitation Admiral Callaghan Lane \$1.2M
- North Mare Island Building Demolition \$482,000

➢ Proposed FY 13/14 Measure B Projects

- Street Rehabilitation Sereno Drive \$1M
- Residential Streets Overlays (Downtown borders) \$1M
- North Mare Island Building Demolition \$500,000

UNFUNDED PROSPECTIVE PROJECT

Capitol Street Extension

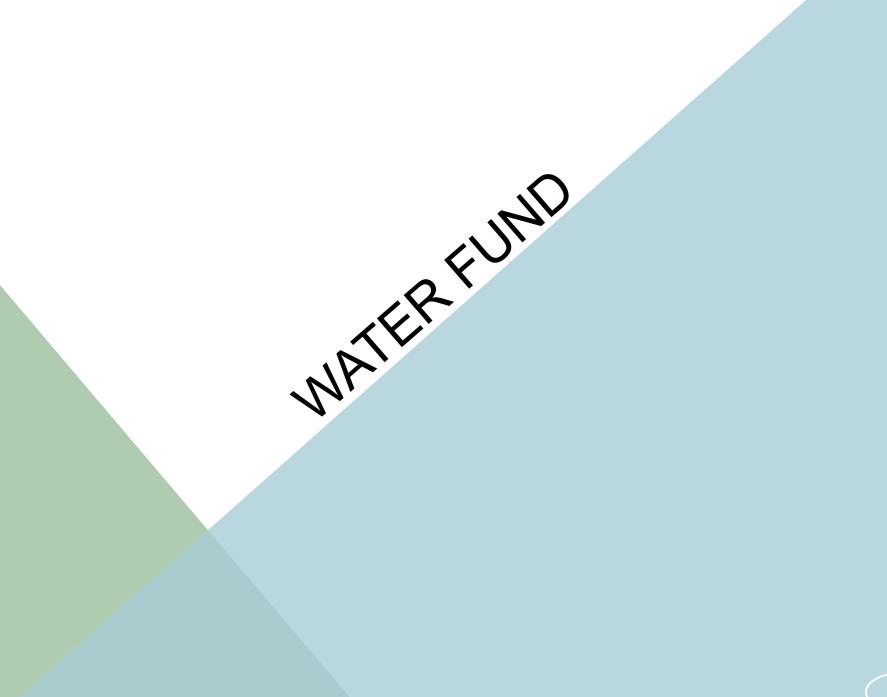
- Connect current terminus at Branciforte Street to Santa Clara Street
- Improve circulation in and around Waterfront development
- Design and construction unfunded
- Design estimate \$600,000
- Construction estimate \$2.4M



WATER CAPITAL IMPROVEMENT PROJECTS

Funding will be proposed for 21 projects in the following categories costing \$4,816,000

FY 13-14 Water Capital Improvement Program		
Facilities Maintenance & Replacement Projects	\$ 1,355,000	
Equipment Upgrades	1,361,000	
Waterline Relocation and Replacement	1,100,000	
Funding for Grid Zone Water Main	<u>1,000,000</u>	
Total Funding Request	\$4,816,000	



PROPOSED FY 13/14 WATER FUND BUDGET

Projected Beginning Fund Balance		\$12,380,000
Annual Operations		
Water System Revenues	34,527,000	
Expenditures	(29,166,000)	
Net Operating		5,361,000
Debt Service	(5,806,000)	
Capital Improvement Program	(4,816,000)	
Non-operating Costs		<u>(10,622,000)</u>
Ending Fund Balance		\$7,119,000

PROPOSED FY13/14 WATER FUND BUDGET (CONT.)

Expenditure Details		% of Total
Staff Salaries & Benefits	\$12,000,000	41%
Power Costs	3,041,000	10%
Chemical Treatment Supplies	1,141,000	4%
City Cost Allocation	2,160,000	7%
Water Rights payment to City	1,210,000	4%
Vehicle Maint & Replacement	834,000	3%
Corp Yard Rental payment to City	663,000	2%
All Other Services and Supplies	6,032,000	21%
Equipment Replacement	1,375,000	5%
Other Expenses	<u>710,000</u>	<u>2%</u>
Total Operating Expenses	\$29,166,000	100%

WATER SYSTEM INFORMATION

>37,226 Active Service Accounts at June 30, 2012

- 34,431 or 92% are residential customers
- 36,380 customers are served by the City system and 846 customers are served by the Lakes system
- The top 10 customers account for 9% of total water sales

➤Water Rate Increases

- On July 1, 2013 implementation of 5th year of 5 year rate study will increase rates 5%-6% for residential customers
- The Water Division will issue an RFP for a new five year rate study later this calendar year

➤Water Bond Refunding

- 2001 Water Revenue Bonds' letter of credit expired December 7, 2012
- Letter of credit was extended for one year requiring refinancing by December 7, 2013.
- Staff will return to Council with a plan

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PROPOSED FY 13/14 MARINA FUND BUDGET

Projected Beginning Fund Balance		\$ 0
Revenues		1,436,000
Expenditures		
Salaries & Benefits	469,497	
Gasoline for resale	225,000	
Utilities	188,500	
Other Operating Expense	592,397	
Total Operating Expenditures		<u>1,475,394</u>
Net operating results		-39,394
Debt Service		<u>- 573,292</u>
General Fund Support		<u>\$612,686</u>
Ending Fund Balance		\$ 0

MARINA FUND (CONT.)

- A General Fund subsidy of \$612,686 is anticipated for FY 2013/14
- Debt restructuring through bankruptcy allowed for deferred interest payments for 4 years. Full payments begin in FY 2014/15 and will increase by \$100,000.
- There is no budget or set-aside for any Capital needs at the Marina
- Deferred maintenance of the seawall, docks and dredging are causing this City asset to decline in value and decreasing its revenue generating capabilities
- Marina is 49% physically occupied

PROPOSED FY 13/14 GOLF FUND BUDGET

Beginning Available Fund Balance		\$32,500
Revenues	2,921,255	
Operating Expenditures	2,841,249	
Net Operating Results		<u>80,006</u>
Debt Service Payment		(354,666)
City Water Costs		(171,900)
Proposed Capital Improvements		<u>(76,500)</u>
General Fund Support		<u>490,560</u>
Ending Available Fund Balance		\$ 0

Modest rate increases are proposed for January 1, 2014

GOLF FUND SUBSIDY REQUEST

- A general fund subsidy of \$490,560 is requested for FY 2013/14
- There is no budget or set-aside for any capital needs at the golf courses
- Deferred maintenance of the golf courses are causing this City asset to decline in value and decreasing its revenue generating capabilities
- Modest rate increases are proposed
- The operation is beginning a phased in approach to paying for 100% of the water on the west course. During FY 13/14 this will increase to 40%.

ASSESSMENT DISTRICT FUNDS

Landscape Maintenance Districts

- Public Hearings before City Council in June
- Funded with special property tax assessments
- Fourteen Districts organized under the 1911 Act
- Fourteen Districts organized under the 1972 Act
- Six Districts have automatic increases based on the Consumer Price Index

Other Assessment Districts at Mare Island and Hiddenbrooke

NEXT STEPS

- May 15th Publish and release proposed FY 13/14 budget
- June 11th Public Hearing on proposed budget
- ➢ June 25th − Continue Public Hearing if needed

