Establishing the Foundation For Fiscal Sustainability

2012-13 Balanced Budget:
- Recurring revenues to meet recurring expenditures
- Establish base-line budget to build upon future needs of the community *(primary fiscal objective)*
- Full-time staffing levels
  *(authorized position count has decreased by 33% over a 5-yr period)*

Development of Fiscal Policy:
- Establishing adequate reserve levels
- Defining a balanced budget
- Use of one-time funding for one-time expenditures
Challenges to Maintaining Fiscal Health

Outlook and Potential Risks (Must Proceed With Caution):

- State Budget Impacts (May Revise)
  - State deficit increased to approximately $16 Billion
  - State focusing attention on redistributing Redevelopment/Housing Assets

- Economic Uncertainties

- End of Deferrals (6/30/13)

- Rising Pension Costs

- Managing Expenditures (i.e. filling vacancies)
CDA reduced its Redevelopment full-time count by 82% through the elimination of vacancies and reallocation of positions into other funding sources.

City Successor Agency expected to receive minimal administrative and project cost funds during wind down period.

General Fund will provide $550K to subsidize the following:
- Maintain current NIP staffing/service levels
- Minimal funding for new Economic Dev./Redevelopment efforts

Unknown Impacts:
- County and State DOF Redevelopment audit
# Defining the Fiscal Tsunami

**(FY2008-09 to FY2010-11)**

**Worst Economic Decline Since The Great Depression**

<table>
<thead>
<tr>
<th>City of Santa Ana (Stats &amp; Figures)</th>
<th>High’s</th>
<th>Low’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Rate</td>
<td>15.5% (Jan 2010)</td>
<td>7.1% (Jan 2008)</td>
</tr>
<tr>
<td>Assessed Valuation (Fiscal Year)</td>
<td>$21.9 Billion (FY08-09)</td>
<td>$19.8 Billion (FY10-11)</td>
</tr>
</tbody>
</table>

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**What was the impact to our City**

**Significant Declines in Major Revenue Sources**

- Sales Tax revenues decline by 26% (approx. $12M from FY07-08 to FY09-10)
- Property Tax revenues declined by 11.5% (approx. $6.7M from FY07-08 to FY10-11)
Defining the Fiscal Tsunami

State Budget Impacts
- State Takeaways (i.e. Property Taxes and RDA)
- Loss of Motor Vehicle License Revenues ($1.2M)

Pre-negotiated Salary/Benefit Contractual Obligations

Rising Pension Contribution Rates
Surviving the Fiscal Tsunami (FY2008-09 to FY2011-12)

- Labor Concessions
  - Negotiations during closed contracts
- Use of One-time Funds and Reserves
- Reductions in Staffing Levels
  - Managing vacancies
- Outsourcing & Reorganization
- Other Cost Reduction Strategies
  - Moratorium on training and travel
  - Limited capital purchases
General Fund Budget Comparison
(Approx. $47M reduction over 5-yr period)

<table>
<thead>
<tr>
<th>Millions</th>
<th>FY08-09 Adopted GF Budget</th>
<th>FY12-13 Proposed GF Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>$243.1 M</td>
<td>$196.5M</td>
</tr>
</tbody>
</table>
Fiscal Year 2012-13 Citywide Budget

Revenues
$409.8M
(Includes $20M in fund Balances)

Expenditures
$409.8M
Fiscal Year 2012-13
General Fund Budget
Balanced Budget

General Fund
Underlying Base-Line Assumptions

- FY2011-12 Base +/- negotiated concessions
- Outsourcing of Fire Services (PERS & Security Bond to be paid out of Benefits and Risk Management Funds)
- Departmental Re-orgs and workforce changes
- Funding tied to retirement vacancies (approx. $2.1M)
- No departmental supplemental requests (approx. $3M)
- Loss of $600K in RDA contributions towards Civic Center Debt Service (non-enforceable obligation)
- $1.1M in new Prop. Tax revenues tied to the elimination of RDA (range $1.1M to $4.8M)
- Sales Tax projections provided by MuniServices LLC and Property Tax estimated growth per O.C. Assessors Office
Balance Budget

Fiscal Year 2012-13 General Fund Budget

Revenues
$196.5M

Expenditures
$196.5M

- 6 Major Tax Revenues
- Other Revenue & Taxes
- License, Permits & Fees
- Franchise Fees
- Use Of Money & Property
- Intergovernmental
- Charges for Services & Fees
- Transfers In
- Police Department
- Parks & Recreation
- PD Debt Service
- Public Works Agency
- Finance & Management Services
- Planning & Building
- All Others (Gen. & Admin. Services)
- Fire Services
- 51.6% Police Department
- 20.6% Parks & Recreation
- 8.5% PD Debt Service
- 6.3% Public Works Agency
- 4.6% Finance & Management Services
- 3.9% Planning & Building
- 2.6% All Others (Gen. & Admin. Services)
- 1.9% Fire Services
- 0.2% Transfers In
- 5.9% Charges for Services & Fees
- 7.7% Intergovernmental
- 6.4% Use Of Money & Property
- 5.9% Other Revenue & Taxes
- 4.6% 6 Major Tax Revenues
- 67.7% Revenues
General Fund Budget
By Type of Expenditure

- Labor/Benefit Costs: 20.6%
- Fire Services: 11.5%
- Contractual Services: 5.3%
- Debt Service: 5.2%
- Other Operating Expenses: 0.7%
- Fixed Costs: 0.1%
- Capital: 0.1%
- Bowers Museum: 55%
FY2012-13 Full-Time Workforce
In addition, the City maintains over 150 vacancies.
Balanced Budget

Proposed Workforce Changes

- Net Reduction of 307 FT Positions (272 tied to FD)
- Reallocation of 22 Positions
- Unfunding of 21 Positions (removal of funding)
2012-13
Cost Recovery Schedule
New and Modified Fees

1.6% CPI – LA/Riverside/Orange County Services Index

One New Fee:
- PBA - OCFA Admin. Processing Fee

Modifying six existing fees:
- CDA – Enterprise Zone Hiring Credit Application Processing Fee
- PRCSA – Zoo Admissions (Full day & half day)
- PRCSA – Sports Youth Registration
- PWA – Water Meter Test in Field/Shop
- Clerk of the Council – Chapter 3 Appeal Hearing Fee
Outlook & Potential Risks

FY 2013-14 Outlook & Potential Risks
Outlook & Potential Risks

FY 2013-14 Budget Gap Estimated at $2.3M

Base-line Assumptions:

- Overall 2% growth in revenues
- No other major revenue impacts
- End of negotiated deferrals (6/30/13 approx. $7M assuming no change)
- PERS rate increase 2% (misc.) and 3% (safety)
- City continues current services and programs
Potential Risk Factors:

- Manage expenditures (primarily the filling of vacancies)
- Future PERS rates increase above estimates (discount rate/retirements/etc.)
- State budget deficit impacts
- Reductions in Federal grant funding
- Economic uncertainties
Organizational Strategies for the Coming Year

- Validate fiscal position in Mid-September (Prelim CAFR)
- Develop a strategic approach to fill vacancies (EMT/Budget)
- Continue to look for reorg opportunities
- Invest in technology to improve efficiencies and productivity
- Further develop fiscal policies (expand into ISF and Enterprise)
Establishment of Fiscal Policy
Proposed Fiscal Policy Provides For:

- Two-tiered reserve effort
- Work plan to achieve acceptable reserve levels
- Defines balanced budget approach and use of one-time funds
Closing Comments

City is in position to:
- Build fiscal stability through a balanced budget approach (aligning recurring expenditures to meet recurring revenues)
- Balance City finances with Council priorities
- Establish fiscal policy to make key sound decisions
- Better prepared for future economic crisis

Must continue to proceed with caution:
- Future State budget deficits
- Economic uncertainties
- End of negotiated deferrals (6/30/13 approx. $7M assuming no change)
- Rising PERS rates
Next Steps

• June 18 – 2\textsuperscript{nd} Public Hearing

• July 1 – New Fiscal Year Begins