



CITY OF BELL

BUDGET STUDY SESSION

Fiscal Year 2011-2012

August 8, 2011

Format for Tonight's Special Meeting

1. Staff presentation (Interim CAO & Budget Consultant)
2. Council questions of staff
3. Public comment/questions
4. Council direction
5. Set public hearing for August 24 for adoption

What is the Role of the Budget?

Local government budgets serve three essential purposes:

1. To set public policy, establish priorities
2. To act as legislative control on taxing and spending
3. To serve as financial planning tool – and a community planning tool, too

The State Requirements

California Government Code Section 53901 requires every local agency:

- Filing with the County the annual budget 60 days after of the beginning of the fiscal year (unless exempted by county auditor).
- If no formal budget, provide a listing of anticipated revenues and expenditures
- Bell received 90 day filing extension from LA County

City Charter Requirements

ARTICLE XI – Sections 1101 – 1104

- Provide estimates of revenues & expenditures.
- *At least 35 days before the beginning of the fiscal year, CAO to submit a proposed budget to the City Council.*
- Council holds a budget public hearing and adopts a budget by majority vote

A More Typical Budget Process

- Starts with council and community – months ahead of time
- Focuses on goals and priorities (not only “numbers”)
- Department, employee involvement
- Proposed budget to council & public in May
- Public meetings & hearings before adoption

Key Recommendations & Issues in Proposed Budget

1. Police and other staffing recommendations
2. Bonded indebtedness and related issues
3. Retirement and post-retirement benefits

1. Police and other staffing recommendations in proposed budget

- Fund Police Chief – delete 3 command positions
- Eliminate 2 Senior Recreation Supervisors
- Fund 3 Positions (accounting manager, deputy city engineer, planning director)
- Fund 4 new police officer positions with a grant (but not sustainable)

2. Bonded indebtedness and related issues

- \$35 million lease revenue – payment not made
- \$35 million GO – some of payments made by proceeds from bond issue
- Other bonds issues

3. Retirement and post-retirement benefits

- One retirement benefit for non-safety employees; two tiers for safety employees
- Non-safety supplemental plan ended on June 30, 2005 for new hires
- Retiree health benefits provided by City
- Proposed budget modifies these programs to reduce costs

So Why Not Adopt the Proposed Budget?

1. The process was started very late – too late
2. Lack of analytics supporting recommendations
3. Proper steps not yet taken to modify salary and benefit levels
4. Debt service and bond issues need more study
5. Lack of audited information
6. Inadequate community input and early Council involvement

A. Lack of analytics to support staffing and service level changes

- Need right staff in right places
- Few, if any, analysis to support proposed staffing changes
- Funding 4 new police officer positions with state grants (COPS) not sustainable for future years

B. Lack of appropriate analytics to processes and to modify salary and benefit levels

- Need to address salary and benefit levels – but also carefully
- Some salary levels may need modification – but need to consider external/internal impacts
- Need legal and analytical efforts to make a change

C. Complex and highly significant debt service and bond issues that need more study

- Need to evaluate bond issues and debt service requirements along with City's ability to pay
- \$35 million GO Bond – some proceeds being used to pay principal & interest
- \$35 million lease revenue – full payment was due Nov 1, 2010 – not yet paid
- Likely other issues

D. Financial information not audited

- Last audit completed for FY ended 6/30/09
- Auditor hired July 27, 2011

E. Inadequate Community input and early Council involvement

- Budget should represent collective goals and priorities of community through City Council
- Proposed budget contained little, if any community or City Council input
- Too late to start all over now (and would eat into time better spent doing it right next time)

So Now What?

1. Adopt a “Bridge Budget” (consistent with Charter & State law)
2. Will get the City through FY 2011-12
3. For the most part a “status quo” budget
4. But to be amended by Council during year as things change (e.g. to reduce benefit costs)
5. Breathing room to develop improved process for FY 2012-13

Bridge Budget Overview

- The good news is that a structural deficit is not projected (more info in next slide)
- The bad news we cannot be 100% certain regarding our financial position without audits – and because of other unknowns (e.g. repayment of State Park funds?)

Revenues & Expenditures

- Use State/County estimates for some revenues
- Salary costs based on current levels
- Debt service as in City's 6/30/09 Audit (CAFR)
- Special known items (like recent audit proposal)
- Data from county assessor
- Historical trends in some cases

FY 2010-11 vs. FY 2011-12

- FY 2010-11 experienced some one-time significant expenditures
 - Refund of property taxes (about \$3.0 million)
 - Extremely high legal fees (estimated at \$1.7 million)
- A reserve is projected at \$1.1 million (although not ideal - GFOA recommendation \$2.1 million)
- Staffing would stay largely the same (but with potential for Council amendments, based on study)

Fund Balance

Unreserved (unassigned) Fund Balance (per audit) at 6/30/2009	10,987,770
Less: Taxes Receivable - Current	<u>(5,229,205)</u>
Adjusted Unreserved (unassigned) Fund Balance at 6/30/2009	5,758,565
FY 2009-2010:	
Actual Revenues	13,683,649
Actual Expenditures	<u>(13,718,802)</u>
Unaudited Unreserved (unassigned) Fund Balance at 6/30/2010	5,723,412
FY 2010-2011:	
Projected Revenues	13,622,838
Projected Expenditures	<u>(18,224,424)</u>
Projected Unreserved (unassigned) Fund Balance at 6/30/2011	1,121,826
FY 2011-2012:	
Estimated Revenues	12,791,200
Budgeted Expenditures	<u>(12,791,200)</u>
Budgeted Unreserved (unassigned) Fund Balance at 6/30/2012	1,121,826

Recommendation Summary

1. Do not adopt the Proposed Budget presented to City Council on July 27
2. Direct staff to prepare a “Bridge Budget” for FY 2011-12 for consideration by the Council at its August 24, 2011 meeting, that would allow for amendments during the Fiscal Year, after appropriate community input

Recommendations cont...

3. Affirm the new Interim CAO's plan to:
 - Bring analytic resources to the City to study key issues (pro bono, as much as possible)
 - After review of the bonds, consider Request for Proposals (RFP) to engage financial advisor
 - Return in Fall with improvements to the budget process and format for the FY 2012-13
 - With employees to develop plan to reduce benefit costs, especially retirement and post-retirement (and return w/amendments this fiscal year)