




City of Carson Report to Mayor and City Council

October 21, 2014
Unfinished Business

SUBJECT: CONSIDER THE CONTINUATION OF THE REVIEW OF THE FY 2014/15
PROPOSED GENERAL FUND OPERATING BUDGET WITH THE UUTCBOC

 Submitted by Trini Catbagan Finance Officer	 Approved by Nelson Hernandez City Manager
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I. SUMMARY

The City Council has held five budget workshops at which the FY 2014/15 general fund operating budget has been reviewed and discussed. As of September 2, 2014, the City Manager's proposed general fund operating budget for FY 2014/15 still has a shortfall of \$564,351. Included in this report are options which the City Council may consider to eliminate the shortfall and adopt a balanced budget.

At the October 7, 2014 meeting, Council directed staff to hold the scheduled October 14, 2014 meeting with the Utility Users Tax Citizens Budget Oversight Committee (UUTCBOC). Included in this report are information regarding that meeting.

II. RECOMMENDATION

CONTINUE the review of the proposed FY 2014/15 general fund operating budget with the UUTCBOC.

III. ALTERNATIVES

1. WAIVE further reading and ADOPT Resolution No. 14-076, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, ADOPTING THE FY 2014/15 GENERAL FUND BUDGET AND APPROVING APPROPRIATIONS FOR THE 2014/15 FISCAL YEAR." (Exhibit No. 4)
2. TAKE any other action the City Council deems appropriate.

IV. BACKGROUND

The City Council has held five budget workshops at which the FY 2014/15 general fund operating budget has been reviewed and discussed. A noticed public hearing was also held on July 1, 2014 to receive input from the public on the proposed general fund budget.

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As originally presented, the City Manager's proposed general fund operating budget for FY 2014/15 estimated operating revenues to be \$67,958,459 and operating expenditures to be \$72,692,292, which indicated an operating shortfall of \$4,733,833. Since that time, further adjustments were made to the budget and choices have been provided to the City Council on how to close that gap. In a report to the City Council for its September 2, 2014 meeting, it was shown that the budget shortfall has been reduced to \$564,351. The details of the changes to the proposed budget are listed under Exhibit No. 1. The following options are being provided to the City Council for consideration, as a means to balance the budget:

1. Transfer \$575,000 from the Capital Asset Replacement Fund (CARF).
By making this transfer, the FY 2014/15 general fund projected operating revenues will exceed budgeted operating expenditures by \$10,649 (Exhibit No. 2). However, making this transfer will only leave \$250,000 in the Capital Asset Replacement Fund. Therefore, some items proposed to be replaced may have to be delayed unless the Council approves supplemental budget adjustment to the fund at future Council meetings.
2. Draw on the Budget Stabilization Fund of \$2.5 million, which is set-aside in the City's General fund reserves (Exhibit No. 3). Exercising prudent financial management, the City Council established this budget stabilization fund to be used, if needed, to assist in the transition to a post-redevelopment operating environment. The City is still navigating through the ramifications of the elimination of the redevelopment agencies; therefore, these funds may be used to eliminate the shortfall of revenues over expenditures.
3. Revisit the budget and look for additional areas in which to reduce expenditures. The most significant savings can come from delaying personnel recruitments. However, this is the least preferred option for staff because lack of the much needed manpower resources will impact programs and activities which the City Council desires to provide to the citizens of Carson to enhance their quality of life.

At the September 2, 2014 Council meeting, Mayor Pro Tem Elito Santarina moved to postpone the adoption of the general fund budget based upon the concern of the Utility Users' Tax Citizens Budget Oversight Committee (UUTCBOC) Chairman Paul Randall that the Committee had not been given an opportunity to be part of the budget process. With the unanimous consent of the Councilmembers, Mayor Jim Dear directed staff to continue the budget adoption item and convene a meeting of the UUTCBOC for the main purpose of reviewing the proposed budget. The Committee meetings were held on September 10 and 23, 2014.

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On July 1, 2014, the City Council authorized the expenditure of City funds pending the adoption of the general fund budget. This authorization expired on September 30, 2014 thereby placing legal impediments to the release of check payments to City's creditors. On October 2, 2014, the City Manager authorized the release of the paychecks to City employees for negotiated salaries and benefits so as not to unduly place a financial hardship on the employees.

At the October 7, 2014 meeting, staff presented the proposed FY 2014/15 general fund budget to the City Council with a recommendation to adopt the budget. Staff also recommended the ratification of the payment to City employees and other related payroll costs made on October 2nd. As an alternative to adopting the budget, staff recommended the adoption of Resolution No. 14-095 which confers upon the Finance Officer the authority to expend City funds until the budget is adopted or up to December 31, 2014, whichever occurs first.

Councilman Robles moved to continue the budget item in order to honor the commitment to the UUTCBOC. At the ensuing discussion, the following actions on the matter were taken by the City Council: (1) ratified the payments to City employees, (2) adopted Resolution No. 14-095, (3) continued the budget item to October 21, 2014.

On October 14, 2014 UUTCBOC held the meeting for the main purpose of conducting the review of the proposed budget. While the meeting could be described as productive, further documentation and clarification were asked of the staff which staff will provide and present at the next UUTCBOC meeting set for November 13, 2014. Staff is committed to comply with the Committee directive; hence, it is recommending that the adoption of the budget be continued to afford the UUTCBOC the opportunity to present its recommendation/s.

Also at the October 7, 2014 meeting of the City Council, the governing body favorably considered placing the extension of the UUT on the March 2015 ballot. It also wants the existing tax rate to be continued or be modified in any extended UUT. As for three other policy questions listed below, the Council wants the UUTCBOC to provide its input. The Committee's feedback is indicated right after each question.

1. Would the proposed extended tax be applied to existing utilities which are subject to the tax or should such utilities be modified in any extended UUT (i.e. continue taxing the existing utilities or add water, cell phones, cable, other technology devices, or reduce the utilities subject to the tax?)

UUTCBOC unanimously approved the motion to not vote for this proposal until the Committee is provided an analysis of revenues to be received from water and other utilities.

- 2. Would the existing maximum tax “cap” to be continued or to be eliminated in any extended UUT?

UUTCBOC unanimously approved the motion to keep the cap.

- 3. For what period of time does the City Council want to extend the life of the UUT?

UUTCBOC voted to keep the 7-year sunset date.

V. FISCAL IMPACT

None at this time.

VI. EXHIBITS

- 1. Changes to Proposed Revenue and Expenditure Budgets. (pg. 6)
- 2. Effect of Transfer of Funds from Capital Asset Replacement Fund. (pg. 7)
- 3. Governmental Funds Balance Sheet from the June 30, 2013 Audited Comprehensive Annual Financial Report. (pg. 8)
- 4. Resolution No. 14-076. (pg 9-10)

Prepared by: Trini H. Catbagan, Finance Officer

Document 2

TD:Rev09-23-2014

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Public Works
Community Development	Community Services

Action taken by City Council	
Date _____	Action _____