



# City of Madera

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## **BUDGET PROCESS AND DOCUMENT REVIEW**

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April 2019



**William C. Statler**

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

# Budget Process and Document Review

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### City of Madera BUDGET PROCESS AND DOCUMENT REVIEW

#### REPORT PURPOSE

This report is in response to the City's interest in reviewing current Budget strengths and areas for improvement. Accordingly, the purpose of this report is to review the City's budget process and resulting budget document, and then make findings and recommendations as appropriate.

As discussed in more detail below, this report addresses:

- Strategies for community engagement
- Linking top priorities and goals with resources
- Fiscal policies that guide budget preparation
- Internal and external review process
- Budget document contents, orientation and presentation
- Long-term fiscal forecasts
- Zero-based budgeting
- Budget monitoring and reporting

#### Summary of Key Findings

**Budget Document.** The City has an excellent Budget document. It has earned the prestigious award from the California Society of Municipal Finance Officers for excellence in budgeting, which is only awarded after rigorous review by independent professionals in accordance with high "best practice" standards. While this report recommends several improvements, these are in the spirit of making an already outstanding budget document better,

**Budget Process.** The City has a technically sound internal budget develop process that makes good use of the City's financial management system (Tyler Munis). In interviews with key staff, there were very few criticisms of the internal budget preparation process, technology or administrative decision-making process (which is rare in my experience), with one notable exception: the preparation schedule. As discussed below, delays in the budget review process also have community and Council impacts. This report provides recommendations for improving this.

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This report also recommends improvements for better linking goals with resources – the heart of the budget process – by providing for early Council involvement in setting budget goals and meaningful opportunities for community engagement in the process.

***Telling the City’s Fiscal Story.*** The City has a good fiscal story to tell. For example, it has weathered the greatest fiscal down turn since the Great Depression with balanced budgets and reserves at policy levels of 30% of expenditures. However, both the Council and staff expressed deep concerns with how the City’s financial condition is communicated. Stated simply, the City needs to do a better job of telling its fiscal story. This report provides recommendations for doing so.

**Implementation.** Many of the recommended *document* changes could be made with the 2019-20 Budget. On the other hand, most *process* changes cannot be made until 2020-21.

### APPROACH

There were three key steps in performing this assessment:

- Key document review
- Best budget practices
- Stakeholder interviews

**Key Document Review.** Review key documents, policies and procedures, including:

- 2018-19 Budget
- Fiscal policies
- Long-term forecast
- Budget calendar
- Internal budget instructions and development process
- Budget monitoring and reporting practices
- Process for community engagement and Council goal-setting

**Best Budget Practices.** Review “best practices” recommended by leading organizations in this field (with links to key publications):

- National Advisory Council on State and Local Budgeting (NACSLB)  
[Best Budget Practices in Public Budgeting](#)
- Institute for Local Government (ILG)  
[Engaging the Public in Budgeting](#)
- Government Finance Officers Association of the United States and Canada (GFOA)  
[Best Practices](#)  
[Award for Distinguished Budget Presentation Criteria](#)  
[Elected Officials Guide on Budgeting](#)
- California Society of Municipal Finance Officers (CSMFO)  
[Budget Award for Excellence Guidelines](#)

# Budget Process and Document Review

**Stakeholder Interviews.** Interview key “stakeholders” in the City’s budget development, review and approval process in assessing strengths and weaknesses in the City’s budget process by those most affected by it.

- Mayor and Council members (the ultimate “customers” of the process)
- Key staff in
  - City Manager’s Office
  - Finance
  - Human Resources
  - Public Works
  - Community Development
  - Parks & Community Services
  - Police

Additionally, as outlined in the Appendix, I have drawn on my extensive budgeting and financial planning experience as a Finance Director, consultant, trainer and author.

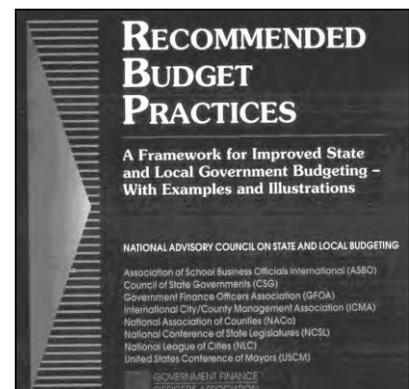
## BACKGROUND

In evaluating the City’s budget process and resulting document, it is important to first ask: to do what? In short, what is the purpose of budget process and document?

### Budget Purpose: Process

The National Advisory Council on State and Local Budgeting, which is the “gold standard” in setting budget principles for state and local governments, recommends that effective budgets reflect the following key features:

- Incorporate a long-term perspective.
- Establish linkages to broad organizational goals.
- Focus budget decisions on results and outcomes.
- Involve and promote effective communication with stakeholders.
- Evaluate performance and make adjustments.



### Budget Purpose: Document

The GFOA recommends that effective budget documents play four key roles:

- **Policy document** that sets forth goals and objectives to be accomplished and articulates the fundamental principles upon which the budget is prepared.
- **Fiscal plan** that identifies and appropriates public resources.

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- *Operations guide* that describes the basic organizational units and activities of the agency.
- *Communications tool* that provides the community with a blueprint of how public resources are being used.

## Budget Process: Fundamental Purpose

At the end of the day, the fundamental purpose of the budget is to link goals with resources: identifying the highest priority, most important things for the City to accomplish in the coming year with the resources necessary to do so.

Effective budgets do this by clearly setting major City goals and other important objectives; establishing reasonable timeframes and organizational responsibility for achieving them; and then appropriating required resources.

Stated simply, the budget determines what will get done; and more often: what won't. This will either happen intentionally or by default: "intentionally" is better. As discussed below, the key to success in linking goals with resources is early Council and community engagement in the budget process.

Together, these three concepts provide the framework for evaluating the City's budget process and document.

## FINDINGS AND RECOMMENDATIONS

### Budget Document

As noted above, the City has an excellent Budget document. It has earned the prestigious award from the CSMFO for excellence in budgeting, which is only awarded after rigorous



review by independent professionals in accordance with high "best practice" standards. (The award criteria are provided in Appendix A. The CSMFO has two award categories: Meritorious and Excellent. The City's budget has earned the higher "Excellence" award.)

Both the GFOA and CSMFO have award programs. While each uses similar rating criteria, the CSMFO program has the advantage of being focused on California issues.

### Budget Reality: Getting Stuff Done

The fact is that the City of Madera can do anything. And most likely any two or three things.

What the City of Madera can't do, even in the best of times, is everything.

This means it is essential that limited resources are used for the most important, highest priority things. Which is what the budget process is also about: making priority and resource trade-offs.

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And while winning these types of awards is always gratifying in knowing that you are performing in accordance with “best practices” and high industry standards, there is the added value that comes from the feedback participants receive from qualified, independent reviewers, in helping to continually make an already excellent Budget even better.

### *Budget Strengths*

Key award-winning features reflected in the City’s budget include:

**Program and performance orientation.** The following information is provided for each for the each of the City’s major programs:

- Program purpose
- Organization and staffing
- Key accomplishments
- Goals for the coming year
- Performance measures
- Financial information for the past three years, current year budget and estimate, and budget for the coming year

**Key features and contents.** In meeting its role as a policy document, fiscal plan, operations guide and communications tool, the City’s Budget also includes:

- Budget message outlining key fiscal issues facing the City
- Budget process overview
- Broad linkage with goals (“Vision Madera 2025”)
- Fiscal policies
- Five-year forecast
- Summary information followed by progressively greater detail
- Changes in fund balance/working capital for all funds
- Staffing
- Summary of debt service obligations
- Five-year Capital Improvement Plan (CIP)

### *Suggestions for Improvement*

- **Closer linkage of fund balance/working capital with audited financial statements.** This will simply require adding a prior year schedule to ensure that the budget begins based on the last audited position.
- **Consider consolidating programs for budget purposes.** There are 122 programs in the City’s budget. While they may be needed for internal management purposes (for example, there are numerous small grants throughout the departments), this many operating programs detracts from a focus on core operations like police patrol and street maintenance.

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- **Consider consolidating funds.** There are 146 funds in the City’s budget. Are all of these needed? (Under generally accepted principles, no funds should be established unless required, typically by outside agencies). And where required for internal management purposes, can some be consolidated for budget presentation purposes? In my experience, transparency and accountability are not enhanced by the proliferation of funds, but rather, become more diffused. For example, there are 84 individual landscape zone funds presented in the budget (requiring that many pages plus a few more). While it is important that financial activity be accounted for separately for each zone, there are other documents where this can be effectively presented (most notably the annual assessment report). On the other hand, it is important to ensure that restricted funds are not co-mingled. Stated simply, like the Programs, this is a balancing between simplicity, understandability, transparency and accountability.
- **Clearer linkage in operating programs with primary funding source.** Each of the programs shows direct program revenues but do not show the primary funding source (such as General Fund or Water Fund). This would be a simple addition to make.
- **Reduce line item detail.** As noted above, one of the key recommendations of the NACSLB is to “focus on resources and outcomes.” This is difficult to do when there are detailed line items for 122 programs. Many Program budgets in other cities provide staffing, contract and supply cost summaries rather than line item details in focusing on “what and why.”
- **Organize the Budget into three components: Operating, Debt Service and Capital.** This is how the City’s audited financial statements are organized; and it makes understanding the City’s fiscal situation easier. (City staff is already considering this change).

In fact, many of the City’s “story telling” problems stem from the lack of distinguishing between ongoing costs for day-to-day service delivery and one-time, capital projects.

For example, the perception of a “deficit” and the difference between projected and actual (one of the “story-telling” concerns discussed below) is largely “definitional.”

***What is a balanced budget?*** This depends on how it is defined. In the City’s case, its policies define a balanced budget as:

*The operating budgets shall be balanced and ongoing costs shall not exceed current revenues plus available fund balance that exceeds reserve fund requirements.*  
[Emphasis added]

In short, if operating expenditures and revenues are in balance and reserves are at minimum policy levels, then the budget is balanced: there is no “deficit.” And this is the City’s case today.

While having the same effect, the following revision to the balanced budget policy may make this clearer:

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*Operating revenues must fully cover operating costs and ending fund balance (or working capital) must meet minimum policy levels. This means beginning fund balance can be used – total expenditures can exceed revenue – but only for CIP projects or other “one-time” uses.*

**Gap between budget and actual.** Again, this is largely due to capital expenditures. While operating budgets are adopted for the fiscal year, capital budgets are typically “project length.” Accordingly, capital budgets are often not fully expended at year-end. While the balance will be re-appropriated into the next fiscal year (and thus, no net difference at the end of the following year), this can result in a perception of large gap between expectations and actual results.

Separating the operating and capital budget (and for the General Fund, creating a separate capital outlay fund supported by General Fund transfers) will help make this part of the City’s fiscal story simpler and easier to tell.

- **Expand use of summary tables.** With 122 programs, it is not possible to provide citywide data where there may be interest within the program itself. For this reason, the Budget provides several citywide summary sections, such as all debt service obligations and staffing. Based on stakeholder interviews and my experience with other budgets, possible additional summaries include (example references in parenthesis):
  - Summary of key budget changes (up or down)
  - Consultant services
  - Sales tax sharing agreement summary
  - Contracts for operation and maintenance services (like fire protection)
  - Summary of interfund transfers (ensures the purpose of interfund transfers is clear and that they net to zero: Appendix B.1).
  - Expanded summary of authorized regular positions (Appendix B.2)
  - Multiple-allocated positions (where one position is allocated over multiple programs or funds (Appendix B.3)
  - Pension and retiree health care obligations (Appendix B.4 and B.5)
- **Delete master fee and penalty schedule.** The Budget includes the City’s master fee and penalty schedules, which takes up 75 pages. It is unusual to include this in the Budget, and there are other places where this information can be more meaningfully published (such as the City’s web site).
- **Improve readability.** There are opportunities for greater use of graphics (see Appendix B.6: Article from *CSMFO Magazine* on presenting your city’s budget) and using a larger font, especially for narrative sections.
- **Consider preparing a “Budget-in-Brief.”** Even when “focused on resources and outcomes,” city Budget documents are still typically hundreds of pages long (the City’s 2018-19 Budget is 577 pages). To address this in providing a more “reader friendly” version, the City should consider preparing a “Budget-in-Brief” that highlights key budget information (Appendix B.7).

# Budget Process and Document Review

## Budget Preparation Process

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There are two aspects to the City’s budget preparation process:

- **Internal.** Process used by City staff in developing the Preliminary Budget for community and Council consideration.
- **External.** Process used for community and Council engagement in the budget process, leading to Council review and adoption of the Budget.

The following addresses both the internal and external budget preparation process.

### *Internal Budget Preparation Process*

As noted above, the City has a technically sound internal budget develop process that makes good use of the City’s financial management system (Tyler Munis). In interviews with key staff, there were very few criticisms of the internal budget preparation process, technology or administrative decision-making process (which is rare in my experience), with one notable exception: the preparation schedule. As discussed below, delays in the budget review process also have community and Council impacts.

- It impacts staff’s ability to prepare budgets.
- More importantly, it impacts the Council and community’s ability to consider the Budget.

### *External Budget Review Process*

Two primary concerns surfaced in the interviews with both Council members and staff:

- As noted above: Budget schedule.
- Difference (“gap”) between budget/projected and actual results.

**2019-20 review schedule.** The initial schedule for Council consideration began with a reasonable timeframe for review and approval, and opportunities for community input:

Council Review	Date
• Mid-Year Budget Report	March 20
• Draft CIP Presentation	March 20
• Preliminary CIP Budget Presentation	April 3
• Preliminary Enterprise Fund Presentation	April 17
• Preliminary General Fund Budget Presentation	May 1
• Other Preliminary Budget Presentations	May 15
• Budget Workshop	June 5
• Final Budget Presentation and Adoption	June 19

However, many of these dates have already lapsed; and getting back on schedule without compressing the schedule (and thus opportunity for community and Council review) will be difficult.

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The following are recommendations for improvement in the future:

- *Prepare master calendar and process for key steps for Council approval in the Fall (Appendix C).* This will provide the Council, community and organization with a clear road map on the budget process and schedule. This will be especially useful if there will be any significant proposed changes to the process (such as Council goal-setting and community engagement as discussed below) as well as for new Council members. From this schedule of key Council review dates, more detailed calendars can be developed for internal purposes of key staff deadlines in meeting these Council meeting dates. And once adopted: stick with it.
- *Use budget workshops for review rather than regular Council meetings.* With regular Council meetings, it is tempting for important but not urgent issues like the Budget to be supplanted by more pressing, agenda-driven issues. Special budget workshops, that can be focused (and short) will help the Council and community remain focused on key budget issues and provide better opportunities for discussing the City's fiscal story.

### ***Projected vs Actual Gap: Telling the City's Fiscal Story***

As discussed above, the City has a good fiscal story to tell, but needs to tell it better. As discussed above, much of this is definitional: confusion about "how are we doing" can be avoided through a clearer understanding of what a balanced budget means and distinguishing between operating and capital budgets.

But it is also important to recognize when projections are "order of magnitude" to begin with; and that variances are inherent. In fact, be skeptical if projected and actual are the same (or very close to the same): this only happens in the real world if either the projections or actual results have been manipulated.

Other suggestions for better telling the City's fiscal story include:

- *Use interim reporting opportunities to narrow the gap between budget and actual.* Rather than using out-of-date estimates as the basis for comparing budget with actual, use the most recent information.
- *Recognize that there is "no good news or bad news: just unexpected news."* Again, the best way to mitigate "unexpected news" is ongoing reporting of results versus expectations.
- *Be clear on "why."* In many cases, it is important to distinguish between ongoing versus one-time variances. Again, better story telling is about narrowing the "expectation gap."
- *Use off-setting "expenditure savings" account in the Budget.* Some of the "expectation gap" is due expenditure savings from adopted budgets. Conceptually, this is a good thing: it means departments do not have a "use or lose it" mentality. On the other hand, even a modest savings of 2% from budget will result in a variance of almost \$1 million at the

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end of the year in a \$40 million budget. (And if revenues are just 2% better than estimated, this will result in a budget variance of almost \$2 million).

While it is difficult to project from year-to-year where cost savings might occur by department or program, past experience indicates that actual expenditures are likely to be less than budgeted amounts due to vacancies and purchase cost-savings. One approach to accounting for this is to project overall fund savings based on past trends and reflect this as off-setting savings within “Other Sources and Uses.” An example of this is provided in Appendix D (which also reflects an example of how to budget for possible labor cost increases that have not yet been agreed upon but are likely to impact the upcoming budget).

- *Sound clear trumpets.* Know the fiscal story you want to tell – and tell that one.

What’s the plot?

Who are the characters?

Why do we care what happens to them?

What’s the moral?

- *Use clear, simple graphics.* The article from CSMFO Magazine provided in Appendix B.5 provides some examples of this. That said, the best way of communicating complex numbers is to communicate what they mean.

### *Linking Goals with Resources*

As discussed above, the heart of the budget process should be linking goals with resources. Doing so effectively requires early Council and community engagement in answering the question:

*What are the most important, highest priority things for the City to accomplish next year?*

In answering this question, few cities start with an empty plate: they are informed by policies and goals such as:

- General Plan (and its many elements)
- Facility and infrastructure master plans
- Vision Madera 2025

“Someday,” the City will achieve all of these goals. The key budget questions are:

*Of all these, what are the most important to focus on this year? And what are the resources needed to do so?*

In answering this question, many cities have found success using a four-step process of community engagement and Council goal-setting:

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❶ **Goal-Setting Input.** While Council goal setting is at the center of this process, it needs to be informed by the:

- **Status of current projects or goals.** Continuing these or moving to the next phase (like design to construction) may be candidate “carryover” goals.
- **Community outreach.** What does the community think are the most important, highest priority things for the City to accomplish in the coming year?



There are number of strategies for doing this effectively, but it does mean early planning for meaningfully engaging the community in the budget process, such as surveys, forums and workshops. The Institute for Local Government has prepared an excellent “white paper” on this, which is provided in Appendix E.

- **Fiscal Condition.** It is important to place Council goal-setting in the context of the City’s fiscal condition and outlook. This is where long-term forecasts can be especially helpful.

Many cities have found success in providing this kind of background information by holding a “Setting the Table” workshop in December (where newly-elected Council members are able to attend) that addresses:

- Status of current projects and goals
- Audited financial results for the prior fiscal year
- Results from the five-year forecast
- Proposed community engagement and Council goal-setting process

❷ **Council Goal-Setting.** This is the center of the process and typically takes place at a special workshop. These are most successful where there is a structured process for setting priorities facilitated by a skilled, independent facilitator. This step typically occurs in January.

❸ **Work Programs for Top Goals.** These are important in translating top Council goals into action plans that identify objectives, work already completed, key tasks and schedule, organizational responsibility and needed resources. As key budget drivers, these should be reviewed and conceptually approved by the Council before issuing the Preliminary Budget. This step typically occurs in April. It is also an opportunity to surface with the Council any “budget balancing strategies” that may be required.

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④ **Budget.** The Preliminary Budget is developed based on Council goals and work programs and typically issued in May, followed by workshops and hearings leading to its adoption by June 30.

### Other Findings and Recommendations

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The following presents findings and recommendations on other areas related to the City's budget:

- Five-year forecast
- Zero-based budgeting
- Two-year budgets
- Budget monitoring and reporting

#### *Five-Year Forecast*

There are two key success factors for effective forecasts:

**Clear purpose.** There are many reasons why cities prepare forecasts:

- Analyze financial condition and ability to fund CIP
- Prepare for revenue ballot measure
- Better assess long-term impact of short-term budget decisions
- Introduce the budget process: framework for goal-setting and budget process to follow
- Prepare contingency plans
- Assess challenges facing city in preparing the Budget early in the process

Stated simply, making good resource decisions today requires taking into account their impact on fiscal condition tomorrow. Forecasts are the best way to frame the policy decisions ahead of you: you can't fix a problem you haven't defined.

**Clear and reasonable assumptions.** Assumptions drive forecast results. Accordingly, assumptions need to be clearly stated and make sense given the circumstances facing the City.

How detailed forecasts need to be, and the strategy for preparation and assumptions, should be driven by its purpose.

**Findings and recommendations.** The City's forecast results are clearly presented in the 2018-19 Budget (page 38); and the assumptions are clear and reasonable. However, in "setting the table" for the budget challenges ahead, the forecast should come earlier in the process so it can affect budget-balancing actions. And depending on its purpose, more complex assumptions may be warranted. The following is a link of a forecast prepared for the City of Carpinteria, which like Madera, has a balanced operating budget but faces challenges in meeting its CIP goals: [Sample Forecast](#).

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### *Zero-Based Budgeting (ZPG)*

Under ZPG, funding for all programs starts from scratch – zero – every budget cycle. There are no assumptions for any police officers, maintenance workers or accountants; or materials for asphalt or landscape supplies. Past expenditures play no role in the budget-building process.

Instead, the budget is built on individual “decision packages,” which are approved based on funding levels and competing priorities. This approach is resource intensive and relies on technocracy and hierarchy. It assumes a “rational, analytical, top-down decision-making” model.

ZPG has been most successful where it started: making private sector Research and Development budget decisions. In this context, making decisions based on “always-new, never done this before” information without regard for the past makes sense.

However, this model doesn’t make sense in the public sector; and for this reason, few (if any) governments that have launched this have stayed with it for two reasons:

- While there may be disagreement on where the line is, most people agree that there is some “base line” level for police, fire, parks and street maintenance service. In short, it doesn’t sense to literally start from scratch every year on all services.
- Difficult budget decisions are rarely technical in nature (which ZPG assumes) but driven by values. Stated simply, meaningful community engagement and representative, open government do not lend themselves to top-down, technocratic decision-making.

For these reason, the more common, ZPG-like approach has been to use “decision packages” based on changes from the base, such as options for 10% less or 10% more funding.

### *Two-Year Budgeting*

Many cities have found success in using two-year budgets in better achieving the goals recommended by the NACSLB:

- Reinforcing the importance of long-range planning in managing the city's fiscal affairs.
- Concentrating on developing and budgeting for accomplishment of significant objectives.
- Setting realistic timeframes for achieving objectives.
- Creating a pro-active budget that provides for stable operations and assures the city's long-term fiscal health.
- Reducing the amount of time and resources allocated to preparing annual budgets.
- Promoting more orderly spending patterns by providing for the carryover of operating appropriations not spent during first fiscal year into the second year.

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A two-year budget timeframe is especially useful in integrating goal-setting with the budget process.

For context, the City of San Luis Obispo has used a two-year budget since 1983 (over 35 years), in both good times and bad. Provided in Appendix F is a “white paper” on the benefits of San Luis Obispo’s two-year budgeting experience and how this approach might benefit Madera as well.

### ***Budget Monitoring and Reporting***

As noted above, one of the NACSLB’s key budget principles is “evaluate performance and make adjustments.” There are two types of financial reports in monitoring budget performance:

- Annual reports: audited financial statements
- Interim reports

### **Annual Reporting**

***Findings.*** The City prepares “Basic Financial Statements” and routinely receives “clean” audit opinions.

### ***Recommendations***

- *Complete audits sooner.* The industry standard is to issue audits within 180 days after year-end (December 31 in the City’s case). The City’s audited financial statements for 2018-19 are scheduled for Council consideration on April 17, 2019. While there are reasons why audit completion is delayed this year, the City needs to complete this sooner in the future.
- *Best practice: consider preparing a “comprehensive annual financial report” (CAFR).* Preparing a CAFR, which includes “Basic Financial statements” as well as expanded financial schedules for all city funds and ten-year tables on key financial trends such as revenues, expenditures, debt management, and economic and demographic characteristics, is a “best practice” in annual financial reporting. While this takes significant effort to prepare the first year, subsequent updating is relatively simple.

### **Interim Reporting**

***Findings.*** The City prepares quarterly reports and mid-year budget reviews. It also prepares ongoing investment reports.

### ***Recommendations***

- *Quarterly newsletter.* The City should consider preparing more focused, structured quarterly reports, such as the sample in Appendix G.1. The goal should be to issue this report within 10 days after quarter end. Unless there is “new news,” these reports do not

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typically need to be formally presented to the Council. However, if there are key variances from expectations – such as significant variances in beginning fund balance, revenues or expenditures – then this should be formally presented to the Council, along with recommended corrective actions.

It should be noted that the Fourth Quarter report is also an interim financial report for the year. In this case, in ensuring the closest possible match with audited financial results, issuance within 60 days after year-end is a reasonable target (Appendix G.2).

Lastly, as reflected in the samples, I recommend distributing these reports to all employees (with a brief cover\_email summarizing the results) and posting on the City’s web site.

- *Mid-year budget review.* Along with the second quarter (mid-year) newsletter, the mid-year budget review should provide the Council with updated year-end projections for revenues and expenditures. (This is an integral part of “narrowing the gap.”)
- *Other interim reports such as sales tax and transient occupancy tax (TOT).* Sales tax is the City’s most important General Fund revenue source. The City receives quarterly reports from its sales tax advisor (MuniServices). A summary of these results should be prepared and distributed to Council and key staff, and posted on the City’s web site. (While prepared by another firm, a sample report is provided in Appendix G.3).

There may be other focused revenue or expenditure reports that help tell the City’s fiscal story. Appendix G.4 provides a sample for monthly TOT revenues.

- *Consider “transparency, visualization” software such as Socrata or OpenGov.* At a moderate cost, this type of software supplements the City’s standard financial reports by providing intuitive, easy-to-use software that both summarizes data as well as allowing delving deeper into greater levels of detail, both graphically and in tables. Most cities that use this type of software have placed it on their web sites. As an example, the following is link for the [City of Rocklin](#).

### SUMMARY

The City’s current budget process and document have many strengths. This this report has identified opportunities where the City can make a good process and document even better. I look forward to discussing these findings and recommendations with you further.



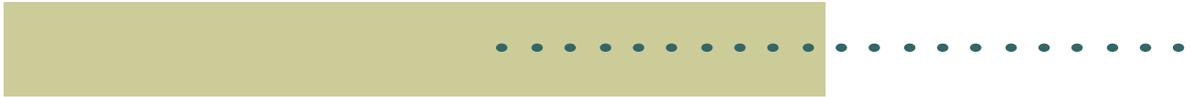
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**CSMFO MERITORIOUS AWARD SECTION**  
**Items Required For CSMFO Meritorious Award and Excellence Award**  
**For Operating Budgets Beginning July 1, 2017**

1. Is there a table of contents? Are the budget document's pages numbered?
2. Does the budget contain a transmittal letter or budget message?
3. Does the transmittal letter or budget message highlight the policy, economic and/or legislative issues facing the jurisdiction and their impact on the budget and are recommend actions included to resolve these issues?
4. Does the transmittal letter or budget message highlight major changes in the budget from the current year regarding service and/or funding levels?
5. Does the transmittal letter or budget message highlight major organization priorities and their funding sources?
6. Is the basis for budgeting described?
7. Is the jurisdiction's Prop 4 (Gann) Appropriation Limit included? *Not applicable for Special Districts.*
8. Is the budget process explained?
9. Is a jurisdiction-wide organization chart included?
10. Is the basis for assumptions for key revenue estimates described?
11. Does budget include at least the General Fund, special revenue funds, and enterprise funds of the jurisdiction, and a listing of all other funds used in the jurisdiction (such as internal service, debt service, and capital project funds)?
12. Is there a summary schedule of revenues, by fund, and does it display at least the proposed budget year(s) and the two prior years?
13. Is there a summary schedule of expenditures, by fund, and does it display at least the proposed budget year(s) and the two prior years?
14. Is there a summary schedule of expenditures, by department, organization, program or function, and does it display at least the proposed budget year(s) and the two prior years?
15. Is there a fund balance summary schedule, by fund, showing changes from the projected beginning balances through the end of the budget year(s)?
16. Do the budget detail pages describe the department, organization, program or function in question?
17. Does the budget describe the level of budget control exercised by the jurisdiction and is that level included in the budget document?
18. Is there a summary of personnel (headcount) by organization, fund or department for the proposed budget year(s) and the prior year?
19. Is the budget clearly enough organized and presented as a document?
20. Do the budget numbers and format appear to be accurate and consistent throughout the document?

Note: For reference purposes only. Not an application. To submit an application, use the Award Force software at [csmfo.awardsplatform.com](http://csmfo.awardsplatform.com).

**CSMFO EXCELLENCE AWARD SECTION**  
**Additional Items Required For CSMFO Excellence Award**  
**For Operating Budgets Beginning July 1, 2017**

1. Does the document display an effective use of graphics, artwork and charts?
2. Is there an in-depth description of revenue sources and basis for estimates?
3. Does document include a jurisdiction profile, review of community demographics, location, and economic outlook?
4. Does document include actual budget adoption resolutions/ordinances enacted by the jurisdiction's governing body?
5. Are implications of Prop 4 (Gann) limit discussed and/or future trends analyzed? *Not applicable for Special Districts.*
6. Does document demonstrate the use of cost accounting or allocated costs?
7. Is there a description of financial/budget policies, which govern finance or budget development such as for reserves, debt management, CIP, and revenue projections?
8. Are there additional prior year revenues, expenditures and organizational detail schedules included beyond the summary schedules identified in Meritorious Award Section item #12, 13 and 14?
9. Are there additional future years of forecasted revenues, expenditures and organization detail schedules included?
10. Is there additional budget detail highlighting recent accomplishments?
11. Is there additional budget detail describing budget year goals for organization or program?
12. Is there additional budget detail identifying performance measures such as workload and/or efficiency or effectiveness indicators?
13. Are performance measures directly linked to stated goals?
14. Are personnel/staffing levels listed for each detail budget level (department, function, division, and program)?
15. Are departmental organizational charts included in the document?
16. Is there a description of staffing level changes compared to prior year?
17. Is there a discussion of employee compensation and benefits included?
18. Is there a description of budgeted debt obligations included?
19. Is there a list of acronyms used and are the acronyms defined?
20. Does the budget document include a glossary of terms?
21. Does document include financial trend indicators and the associated analysis?
22. Is there a comparison of financial status to other jurisdictions?
23. Does document display exceptional format clarity and presentation effectiveness?

Note: For reference purposes only. Not an application. To submit an application, use the Award Force software at [csmfo.awardsplatform.com](http://csmfo.awardsplatform.com).

## FINANCIAL AND STATISTICAL TABLES

### INTERFUND TRANSACTIONS - REIMBURSEMENT TRANSFERS

	Actual 2007-08	Budget 2008-09	2009-11 Financial Plan	
			2009-10	2010-11
General Fund	(4,075,300)	(4,210,800)	(4,406,800)	(4,496,200)
Community Development Block Grant Fund	28,200	1,900		
Enterprise and Agency Funds				
Water	1,391,600	1,447,300	1,524,500	1,555,000
Sewer	1,643,100	1,708,800	1,789,700	1,825,500
Parking	460,900	479,300	500,400	510,400
Transit	280,900	292,100	300,700	306,700
Golf	157,300	163,600	169,700	173,100
Whale Rock Commission	113,300	117,800	121,800	125,500
Total Enterprise and Agency Funds	4,047,100	4,208,900	4,406,800	4,496,200
<b>NET REIMBURSEMENT TRANSFERS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

#### Summary of Purpose of 2009-11 Reimbursement Transfers

All of the City's General Government and CIP Project Engineering programs are initially accounted and budgeted for in the General Fund. However, these support service programs also benefit the City's CDBG, enterprise and agency fund operations, and accordingly, transfers are made from these funds to reimburse the General Fund for these services. These transfers are based on a Cost Allocation Plan prepared for this purpose which distributes these shared costs in a uniform, consistent manner in accordance with generally accepted accounting principles. Copies of the most current Cost Allocation Plan are available from the Department of Finance upon request. For fiscal years 2009-11, the following is a summary of total general government, CIP project engineering and facility use costs, and the percentage level supported by the General, CDBG, Enterprise and Agency Funds:

	2009-10	2010-11
General Government Programs		
City Council	135,600	138,800
General Administration		
City Administration	757,500	757,200
Public Works Administration	1,093,700	1,040,000
Transportation Planning & Engineering	582,900	575,800
Parks & Recreation Administration	650,300	665,900
Legal Services	549,900	552,700
City Clerk Services	328,000	438,700
Organizational Support Services		
Finance, Human Resources, Information		
Systems, and Geodata Services	4,408,800	4,580,100
Risk Management and Insurance Expenditures	2,434,900	2,456,800
Other Support Services (telephones, copiers, etc)	223,100	225,600
Buildings and Vehicle Maintenance	1,966,200	2,021,400
Total General Government Programs	<b>13,130,900</b>	<b>13,453,000</b>
CIP Project Engineering Program	1,526,400	1,584,100
Facilities and Equipment Use	4,578,500	4,715,900
<b>Total Reimbursed Programs</b>	<b>19,235,800</b>	<b>19,753,000</b>
Percent Funded By		
General Fund	77%	77%
Enterprise and Agency Funds	23%	23%
<b>Total Reimbursed Programs</b>	<b>100%</b>	<b>100%</b>

# FINANCIAL AND STATISTICAL TABLES

## INTERFUND TRANSACTIONS - OPERATING TRANSFERS

	Actual	Budget	2009-11 Financial Plan	
	2007-08	2008-09	2009-10	2010-11
<b>General Fund</b>				
Operating Transfers In				
Gas Tax Fund	835,100	785,000	787,000	791,000
TDA Fund	34,300	22,300	22,400	22,500
Airport Area Impact Fee Fund				
Open Space Protection Fund	5,000			
Proposition 1B	711,600			
Proposition 42	131,300	436,000	422,800	463,300
Total operating transfers in	1,717,300	1,243,300	1,232,200	1,276,800
Operating Transfers Out				
Downtown Association Fund				
Community Development Block Grant	(41,100)	(45,000)	(55,100)	(55,100)
Law Enforcement Block Grant Fund				
Capital Outlay Fund	(9,365,600)	(3,669,200)	(3,759,200)	(3,275,400)
Open Space Protection Fund	(323,000)	(234,000)	(322,500)	
Fleet Replacement Fund	(1,109,000)	(550,000)	(113,400)	
Debt Service Fund	(2,078,000)	(2,075,900)	(2,901,800)	(2,670,900)
Transportation Impact Fee	(701,900)			
Golf Fund	(440,700)	(335,000)	(242,600)	(207,200)
Total operating transfers out	(14,059,300)	(6,909,100)	(7,394,600)	(6,208,600)
<b>Total Operating Transfers</b>	<b>(12,342,000)</b>	<b>(5,665,800)</b>	<b>(6,162,400)</b>	<b>(4,931,800)</b>
<b>Community Development Block Grant Fund</b>				
Operating Transfer In				
General Fund	41,100	45,000	55,100	55,100
<b>Gas Tax Fund</b>				
Operating Transfer Out				
General Fund	(835,100)	(785,000)	(787,000)	(791,000)
Capital Outlay Fund				
Total operating transfers out	<b>(835,100)</b>	<b>(785,000)</b>	<b>(787,000)</b>	<b>(791,000)</b>
<b>Transportation Development Act Fund</b>				
Operating Transfer Out				
General Fund	<b>(34,300)</b>	<b>(22,300)</b>	<b>(22,400)</b>	<b>(22,500)</b>
<b>Proposition 42 Fund</b>				
Operating Transfer Out				
General Fund	<b>(131,300)</b>	<b>(436,000)</b>	<b>(422,800)</b>	<b>(463,300)</b>

**FINANCIAL AND STATISTICAL TABLES**

## INTERFUND TRANSACTIONS - OPERATING TRANSFERS

	Actual 2007-08	Budget 2008-09	2009-11 Financial Plan	
			2009-10	2010-11
<b>Proposition 1B Fund</b>				
Operating Transfer Out				
General Fund	(711,600)	(657,700)		
<b>Capital Outlay Fund</b>				
Operating Transfer In				
General Fund	9,365,600	3,669,200	3,759,200	3,275,400
Transportation Impact Fee Fund	14,200			
Proposition 1B Fund		657,700		
Operating Transfer Out				
Golf Fund	(21,300)			
Total operating transfers in	<b>9,358,500</b>	<b>4,326,900</b>	<b>3,759,200</b>	<b>3,275,400</b>
<b>Open Space Protection Fund</b>				
Operating Transfers In				
General Fund	323,000	234,000	322,500	
Operating Transfer Out				
General Fund	(5,000)			
Total operating transfers in	<b>318,000</b>	<b>234,000</b>	<b>322,500</b>	<b>0</b>
<b>Fleet Replacement Fund</b>				
Operating Transfers In				
General Fund	<b>1,109,000</b>	<b>550,000</b>	<b>113,400</b>	
<b>Debt Service Fund</b>				
Operating Transfer In				
General Fund	<b>2,078,000</b>	<b>2,075,900</b>	<b>2,901,800</b>	<b>2,670,900</b>
<b>Transportation Impact Fee Fund</b>				
Operating Transfer In				
General Fund	701,900			
Operating Transfer Out				
Capital Outlay Fund	(14,200)			
Total operating transfers	<b>687,700</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>LOVR Impact Fee Fund</b>				
Operating Transfer Out				
Transportation Impact Fee Fund				
<b>Golf Fund</b>				
Operating Transfer In				
General Fund	440,700	335,000	242,600	207,200
Capital Outlay Fund	21,300			
Total operating transfers in	<b>462,000</b>	<b>335,000</b>	<b>242,600</b>	<b>207,200</b>
<b>NET OPERATING TRANSFERS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FINANCIAL AND STATISTICAL TABLES**

## AUTHORIZED REGULAR POSITIONS BY DEPARTMENT

	Actual	Budget	2009-11 Financial Plan	
	2007-08	2008-09	2009-10	2010-11
<b>ADMINISTRATION</b>	<b>11.0</b>	<b>11.0</b>	<b>10.3</b>	<b>10.3</b>
City Administration				
City Manager	1.0	1.0	1.0	1.0
Assistant City Manager	1.0	1.0	1.0	1.0
Principal Administrative Analyst	1.0	1.0	0.5	0.5
Administration Executive Assistant	1.0	1.0	1.0	1.0
Administrative Assistant*	0.4	0.4	0.0	0.0
<b>Total City Administration</b>	<b>4.4</b>	<b>4.4</b>	<b>3.5</b>	<b>3.5</b>
Natural Resources Management				
Natural Resources Manager	1.0	1.0	1.0	1.0
City Biologist	1.0	1.0	1.0	1.0
Administrative Assistant*	0.3	0.3	0.0	0.0
<b>Total Natural Resources Protection</b>	<b>2.3</b>	<b>2.3</b>	<b>2.0</b>	<b>2.0</b>
Economic Development				
Economic Development Manager	1.0	1.0	1.0	1.0
Administrative Assistant*	0.3	0.3	0.0	0.0
Administrative Analyst **	0.0	0.0	0.3	0.3
<b>Total Economic Development</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
Community Promotion				
Principal Administrative Analyst	0.0	0.0	0.5	0.5
<b>Total Community Promotions</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>0.5</b>
Records and Elections				
City Clerk	1.0	1.0	1.0	1.0
Administrative Assistant	2.0	2.0	2.0	2.0
<b>Total Records and Elections</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<i>*Position is being eliminated in January 2010.</i>				
<i>** Position authorized as 1.0 FTE in Finance &amp; IT in 2007-09 budget; 0.3 is allocated to Economic Development in 2009-11.</i>				
<b>CITY ATTORNEY</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
Legal Services				
City Attorney	1.0	1.0	1.0	1.0
Assistant City Attorney	1.0	1.0	1.0	1.0
Legal Assistant/Paralegal	1.0	1.0	1.0	1.0
<b>Total Legal Services</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>HUMAN RESOURCES</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
Human Resources Administration				
Director of Human Resources	1.0	1.0	1.0	1.0
Human Resources Analyst	1.0	1.0	1.0	1.0
Human Resources Executive Assistant	1.0	1.0	0.0	0.0
Administrative Assistant	0.0	0.0	1.0	1.0
Human Resources Specialist	1.0	1.0	1.0	1.0
<b>Total Human Resources Administration</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
Risk Management				
Risk & Benefits Manager	1.0	1.0	1.0	1.0

## SAMPLE ALLOCATION OF AUTHORIZED POSITIONS

Position	Fund				
	General	Water	Sewer	Solid Waste	Drainage
City Administrator	70.0%	20.0%	5.0%	5.0%	
Community Development Director	40.0%	15.0%	15.0%	15.0%	15.0%
Finance Director	70.0%	15.0%	7.5%	7.5%	
Finance Manager	70.0%	15.0%	7.5%	7.5%	
Public Works Director	10.0%	20.0%	20.0%	10.0%	10.0%

Note: Only positions that are allocated to more than one fund would be included in this schedule.

## FINANCIAL AND STATISTICAL TABLES

### PENSION OBLIGATION COST TRENDS

#### OVERVIEW

The following provides information on employer retirement costs and contributions for the past five years and budget for 2009-11, along with background information on the City's retirement plans.

#### Background

**About CalPERS.** Along with 2,500 other cities and local agencies, the City contracts with the California Public Employees Retirement System (CalPERS) for our "defined benefit" retirement plan, which covers all of our regular employees (except in rare circumstances, temporary employees are not covered by the CalPERS plan). We have two plans: one for sworn safety employees (like police officers and firefighters) and another for non-sworn employees (everyone else).

CalPERS is a separate and distinct legal entity from the City, and serves as an independent fiduciary in managing the City's retirement plan assets.

**Current Costs Consistent with Past Projections.** The impact of increasing retirement costs on the City's fiscal situation is not "new" news. In the aftermath of "9/11" and other impacts on stock market performance such as the "dot.com" blow-up and corporate scandals like WorldCom, Enron and Tyco, we knew that large increases in retirement costs were in our future. For this reason, we contracted with an independent, highly regarded actuarial firm (Aon Consulting) back in 2002 in order to get a handle on them.

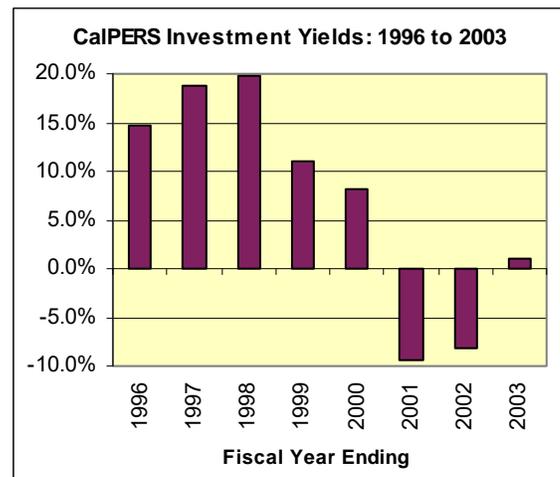
The estimates made then have been astonishingly close to actual results; and these impacts were included in our five-year fiscal forecast prepared back in 2002 (and updated again in December 2004, December 2006 and December 2008).

#### Quick Facts about the City's Retirement Plan

1. PERS investment losses have had the greatest impact on higher retirement costs, not enhanced benefits. We estimate that about 17% of the cost increase for public safety sworn employees is

due to benefit enhancements, with the remaining 83% due to other factors. None of the cost increases for non-sworn employees can be attributed to benefit enhancements.

The following summarizes CalPERS investment yields for the five years before and the three years after "9/11:"



As reflected above, CalPERS investment yields before 9/11 were far above its actuarial assumption of 8.25% at the time (and this excellent performance resulted in excess assets in our plan). It also shows that CalPERS did well compared with many other investors in this post-9/11 environment.

However, the fact is that these losses converted significant excess assets into actuarial liabilities, and this meant we would now have to begin paying our "normal" costs (which we were not required to do for a number of years before 9/11 due to excess assets) as well as supplemental costs to amortize the actuarial liability.

2. Public employees should have a stable defined benefit plan as a trade-off for the lack of ability to participate in stock options, profit sharing or bonuses as many private sector employees do. Such a benefit helps us compete with the private sector for qualified employees. At the end of the day, it is through our employees that we deliver the City's essential services of catching bad

## FINANCIAL AND STATISTICAL TABLES

### PENSION OBLIGATION COST TRENDS

guys, putting out fires, responding to medical emergencies and paving streets.

3. When the City entered into contracts with our public safety unions to enhance retirement benefits, three factors were in place:

- Due to high investment returns, there were significant excess assets in our retirement program, and because of this, CalPERS told us that future employer contributions were unlikely as far as the eye could see.

Of course, CalPERS could not reasonably be expected to have anticipated the “trifecta” impact on the stock market of “9-11,” the dot.com meltdown and corporate scandals like Enron and WorldCom. And as noted above, while CalPERS experienced several years of losses, they were far lower than those experienced by comparable investors.

- Many cities also received this same message of no or low costs in the future, and with the change in the law at the State level creating optional enhancements to the CalPERS system, the new retirement levels quickly became the statewide public safety standard for cities.

The rationale for these the public safety retirement plan is the physical nature of this work (combined with the high consequence of error), which makes it difficult for many front-line employees to perform effectively as they enter their later-fifties and early-sixties.

- Binding arbitration for sworn police and fire employees – which was solidly approved by the voters of San Luis Obispo in November 2000 – created a bargaining environment that made it difficult not to meet that statewide standard. This was especially true since all of the documentation from PERS told us that it wouldn’t cost us anything.

And once the enhanced public safety benefits were agreed upon, it was hard to keep non-safety employees – who were

willing to absorb the full added cost – from pursuing enhanced benefits, especially since they were willing to give up already agreed upon salary increases in order to do so.

4. Because our public safety retirement plan is in the mainstream of plans in most other cities throughout the State, the fact is that without this plan, we would not be able to attract and retain qualified police officers and firefighters. There are three consequences of ignoring the labor market:

- We will become a training ground for police officers and firefighters for other agencies, with high turnover. This will be a good deal for other communities, but not our own.
- We will simply not attract the best qualified employees for the most basic and essential of City services, which our community highly values.
- And most likely, some combination of these two.

For these reasons, many of the few remaining agencies that have not already adopted these “mainstream” plans for their sworn police and fire employees are in the process of doing so.

#### Summary

We believe that the retirement plans in place today are appropriate, given the circumstances under which they came about and our need to attract and retain qualified employees – who are the foundation for the services that our community tells us they highly value.

However, we also recognize that some reforms are needed, and for this reason, we are working closely with the League of California Cities and others for “course corrections” in the CalPERS system.

**For More Information.** The City has prepared a comprehensive compilation of retirement cost trends and issues (*PERS FAQ’s*), which has been widely distributed and is available on our web site at: [www.slocity.org/finance/reports.asp](http://www.slocity.org/finance/reports.asp).

## FINANCIAL AND STATISTICAL TABLES

### PENSION OBLIGATION COST TRENDS

#### CALPERS EMPLOYER CONTRIBUTIONS

##### CalPERS Employer Cost Trends

The following summarizes CalPERS employer costs since 1998-99:

Employer Retirement Contributions			
Fiscal Year	Safety	Non-Safety	Total
1998-99	\$235,800	\$0	235,800
1999-00	-	-	-
2000-01	-	-	-
2001-02	-	-	-
2002-03	498,000	264,100	762,100
2003-04	1,660,100	1,397,300	3,057,400
2004-05	2,422,500	1,987,700	4,410,200
2005-06	2,796,100	2,550,200	5,346,300
2006-07	3,159,100	2,747,100	5,906,200
2007-08	3,385,800	3,145,200	6,531,000
2008-09*	4,484,300	3,629,800	8,114,100
2009-10*	4,403,400	3,243,100	7,646,500
2010-11*	4,510,400	3,347,300	7,857,700

\* Estimated for 2008-09 and budget for 2009-10 and 2010-11.

2008-09 reflects retroactive costs for binding arbitration decision.

As reflected above, no contributions for non-safety employees were required for four years (1998-99 through 2001-02); and no contributions were required for safety employees for three years.

**CalPERS Costs in Context.** For 2009-10, our estimated CalPERS cost for employer contributions is \$7.6 million. To place this in perspective, this represents 7.9% of our total City budget for 2009-10 of \$95.6 million. So, while it's certainly a significant cost, it is not an undue portion of total City costs.

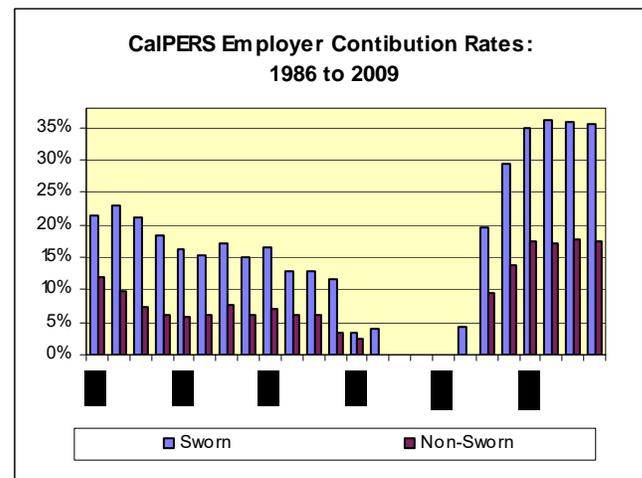
**Future Cost Outlook.** Based on rates that will be in effect in 2009-10 and CalPERS projections for 2010-11 (which are virtually the same as our rates in 2007-08 and 2008-09), we believe our retirement costs have now stabilized, and continued rate increases like those in the recent past are unlikely.

However, CalPERS is again experiencing investment losses due to the largest economic downturn since the Great Depression. Due to CalPERS smoothing methodology, this will not have an effect on employer rates in 2009-11; and

CalPERS is developing strategies to further stabilize costs. The short story: significant rate changes, up or down, are unlikely in the near term.

##### CalPERS Employer Contribution Rates

These costs are directly affected by required employer contribution rates as a percent of payroll for covered employees. (Note: These rates only apply to "regular" compensation; they do not apply to overtime or "non-regular" pay.) The following shows changes in employer contribution rates for sworn and non-sworn employees since 1986:



As reflected in this chart, while rates are higher than in the past, the very low rates in the late 1990's and early 2000's were an exception – not the rule – to employer contribution rates. Based on the "roller coaster" swings in the past, it is possible that rates will move back to the "normal" levels of the 1980's if CalPERS investments do well in the future. However, as noted above, we believe that the best assumption at this time for future fiscal planning is that rates have now stabilized, and we shouldn't plan on significant rate decreases any time soon.

##### Current CalPERS Employer Contribution Rates

For 2009-10, the City's employer contribution rates are as follows:

	Normal	Unfunded Liability	Total
Non-Sworn	10.1%	7.6%	17.7%
Sworn	15.6%	20.3%	35.9%

## FINANCIAL AND STATISTICAL TABLES

### PENSION OBLIGATION COST TRENDS

As reflected above, our contribution rate is comprised of two components:

1. The **normal** rate is what's required to actuarially ensure that current contributions will meet future benefit requirements, assuming that there are currently no excess assets or unfunded liabilities.
2. The **unfunded liability rate** is what's required to amortize past unfunded liability costs over time. As noted above, due to investment losses, the CalPERS balance sheet went from excess assets to significant unfunded liabilities.

#### Employee Contribution Rates

While the method of doing so varies between employee groups, employees are responsible for making contributions to CalPERS along with employer contribution rates as follows.

##### Employee Contribution Rates

Non-Sworn	8%
Public Safety Sworn	9%

#### Private Sector Comparisons

Because City employees are not covered by Social Security, the City's retirement plan costs compare favorably with the private sector plans. For example, private sector employer costs for Social Security are 5.7% of payroll (excluding the portion for Medicare of 1.45%, which the City does participate in).

As such, if employers in a defined contribution plan contribute a modest 4% of compensation to their plans, then the two programs would be very similar: 9.7% in the private sector compared with the normal contribution rate of 9.9% for non-sworn employees.

#### CALPERS FUNDING LEVELS

The following shows CalPERS funding levels for the most recent ten years that this information is available from CalPERS:

#### CalPERS Funding Levels: Last Ten Years

Actuarial Valuation Date Ending June 30	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Assets Over (Under) Actuarial Accrued Liability	Funded Ratio
<b>Safety Employee Plan</b>				
1998	51,600	43,389	8,211	118.9%
1999	56,989	47,046	9,942	121.1%
2000	62,387	54,256	8,131	115.0%
2001	65,800	65,700	100	100.1%
2002	60,300	73,400	(13,100)	82.1%
2003	61,200	80,300	(19,200)	76.2%
2004	64,997	88,300	(23,400)	73.6%
2005	69,399	94,527	(25,128)	73.4%
2006*	6,102,616	7,278,050	(1,175,434)	83.9%
2007*	6,826,599	7,986,055	(1,159,456)	85.5%
<b>Non-Safety Employee Plan</b>				
1998	42,850	31,203	11,647	137.3%
1999	50,187	37,269	12,919	134.7%
2000	55,308	43,017	12,291	128.6%
2001	57,800	55,500	2,300	104.1%
2002	53,500	61,700	(8,200)	86.8%
2003	55,100	71,000	(16,000)	77.5%
2004	59,400	77,600	(18,200)	76.5%
2005	64,740	85,207	(20,467)	76.0%
2006	70,848	92,505	(21,657)	76.5%
2007	78,069	100,312	(22,243)	77.8%

*In thousands of dollars*

*\* Effective July 1, 2007 the Safety Plan is a member of a CalPERS safety pool, and as such, the City will only receive information on the entire pool, not City specific data.*

As reflected above, our current actuarial liability is not the norm. From 1996 until 9/11, we had significant excess assets in both plans for almost all years. For example, in 1999, we had \$9.9 million in excess assets in our safety plan (121% funded) and \$12.9 million in excess assets in our non-safety plan (135% funded). This underscores the cost trends discussed previously, where for many years the City did not have to make its "normal" employer contribution at all, due to the strength of excess plan assets for both sworn and non-sworn employees.

It also underscores one other point: we know we will be able to return to being fully funded in the future, because we've been there in the past (and as shown above, our rates include amortizing the unfunded liability).

## FINANCIAL AND STATISTICAL TABLES

### RETIREE HEALTH CARE OBLIGATIONS

#### VERY LIMITED COST OBLIGATIONS

Compared with many other cities throughout the State and the nation, the City has taken a very conservative approach to providing retiree health care benefits. In fact, our contribution is the lowest allowed under our participation in the California Public Employees' Retirement System (CalPERS) health benefit program.

And as discussed below, the City has committed to fully funding our obligations on an actuarial basis.

#### Cost Trends

The following chart summarizing the City's retiree health costs for the last five years and the budget for 2009-10 shows two things:

1. On a cash basis (2004-05 through 2007-08), the City's retiree health costs are very small part of the City's costs: for example, in 2007-08, this represents less than one-tenth of one percent of the City's expenditures.
2. And even on a full actuarial basis (2008-09 and 2009-10), the costs is less than 1% of total City expenditures.

Retirement Health Care Costs		
Fiscal Year	Cost	% of Total
2009-10*	709,400	0.74%
2008-09*	639,400	0.41%
2007-08	41,700	0.04%
2006-07	41,700	0.05%
2005-06	34,700	0.02%
2004-05	29,900	0.04%

\* Budgeted

**New Reporting Standard: GASB 45.** As discussed below, changes in generally accepted accounting principles adopted by the Governmental Accounting Standard Board (GASB) under Statement No. 45 (GASB 45) and effective for the City in 2008-09 will shift the reporting of retiree health care benefits to an actuarial basis. While GASB 45 affects financial reporting of retiree health care obligations, it does not dictate how state and local governments should fund these obligations. For example, if

agencies budgeted and funded these costs on a cash basis before the effective date of GASB 45, they can continue to do so afterwards.

However, based on a detailed analysis presented to the Council in May 2008, the 2008-09 Budget includes funding for retiree health care benefits on an actuarial basis for three reasons:

1. In the not so distant future, it becomes cheaper to pre-fund this cost on an actuarial basis than continuing to fund it on a pay-as-you-go basis.
2. The cost of this modest benefit is unlikely to become less expensive in the future.
3. And the City's ability to fund this modest cost is unlikely to improve in the future. For context, annual payments under this approach will account for less than 1% of the City's annual budget.

#### DESCRIPTION OF THE CITY'S PROGRAM

The City's primary cost obligation for retiree health benefits is our election to participate in the CalPERS health benefit program under the "unequal contribution option."

**Background.** The City's primary "other post employment benefits than pensions" (OPEB) obligation is the minimum contribution that the City is required to make under its participation in the CalPERS health care program. When the City joined the CalPERS plan in 1993, it immediately experienced an increase in the plan choices available along with a significant reduction in rates. And due to CalPERS purchasing power, the City has continued to experience competitive health care rates since then.

However, as a condition of joining the CalPERS health program, the City agreed to contribute a minimum of \$16 per month towards retiree health care coverage. Under the regulations in place at the time, this was scheduled to increase by 5% per year. By 2007, this had risen to only \$20 per month. However, legislation adopted in 2006 (AB 2544) significantly altered this formula, resulting in

## FINANCIAL AND STATISTICAL TABLES

### RETIREE HEALTH CARE OBLIGATIONS

significant increases in the City's required contribution.

The following chart compares projected contribution rates, pre-AB 2544 and post-AB 2544. As reflected in this chart, contributions take a big jump in 2008. The only good news is that under AB 2544, the increases in contribution rates should level-off by 2013 at about \$145 per month. While higher than we expected, this is still much lower than the costs incurred by many California agencies.

#### CalPERS Retiree Health Care Contributions

Year	Minimum Monthly Contributions	
	Pre-AB 2544	Post-AB 2545
2007	\$20.30	\$20.30
2008	25.15	72.75
2009	30.47	85.16
2010	36.28	98.71
2011	42.57	113.33
2012	49.36	128.93
2013	56.63	145.38

As noted above, the City has historically paid these modest costs on a pay-as-you-go basis. Based on scheduled increases, OPEB costs on a cash basis are projected to be \$188,000 in 2008-09.

#### ACCOUNTING FOR FUTURE COSTS

As discussed above, until 2008-09, the City accounted for our limited retiree health care costs on a pay-as-you-go basis, which was consistent at the time with generally accepted accounting principles. However, beginning in 2008-09, GASB 45 will require that these costs be reported in the future on an actuarial basis. Complying with GASB 45 required performing an actuarial evaluation to determine these costs and prepare a plan for funding them. The results of this actuarial valuation of our retiree health care plans were presented to the Council on May 20, 2008.

#### Impact on the City

The chart below summarizes the City's OPEB liabilities and costs on an actuarial basis assuming discount rate options of 4.25% and 7.75%.

2008-09 OPEB Liabilities and Annual Costs	Discount Rate	
	4.25%	7.75%
Actuarial Liability <i>For context, the City's total net assets at June 30, 2007 were \$278.3 million</i>	\$10,765,000	\$5,918,000
Annual Required Contribution (ARC)		
Normal Cost	595,000	277,000
Amortization of Prior Accrued Cost	467,000	409,000
Total "ARC"	1,062,000	686,000
Pay-As-You-Go Cost	188,000	188,000
Variance: ARC vs Pay-as-You-Go	874,000	498,000

#### Role of the Discount Rate in Determining Costs

There are a number of assumptions that determine the actuarial cost of OPEB obligations, including:

1. Amount of the benefit
2. Projected cost increases of the benefit
3. Projected retirees and their level of participation in the program
4. Age distribution
5. Mortality and spousal coverage
6. Current unfunded liabilities
7. Discount (investment) rate

While each of these assumptions plays an important role in determining costs and contribution rates, the discount (investment) rate is a critical factor and one of the few that the City has some control over, depending on how it chooses to fund OPEB costs.

#### Three Basic Funding Options

There are three basic funding options and each carries its own assumed discount (investment) rate by the actuary under GASB 45 guidelines:

	Discount Rate
Pay-As-You-Go	4.25%
Pre-Fund Internally	4.25%
Pre-Fund Via an Irrevocable Trust *	7.75%

\* This is how the City accounts for pension costs via participation in CalPERS.

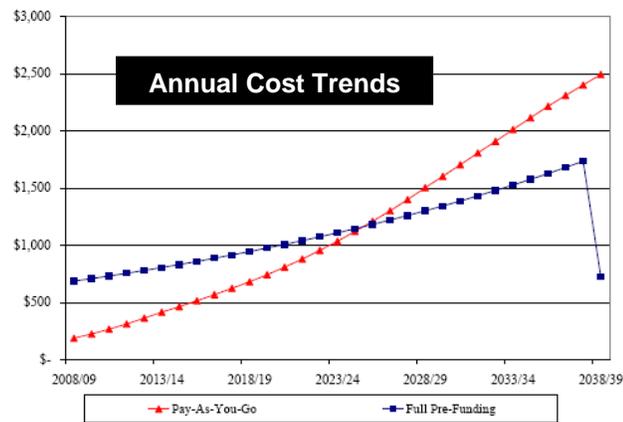
As reflected in the chart above, the difference between 4.25% and 7.75% is significant in determining annual required contributions. Keeping all other assumptions the same, it is much less expensive to fund annual OPEB costs via an irrevocable trust, where the discount rate is 7.75%, than other options, where the discount rate is 4.25%.

**FINANCIAL AND STATISTICAL TABLES**

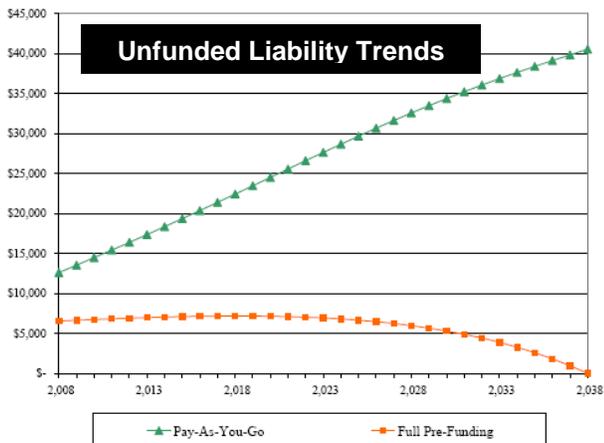
RETIREE HEALTH CARE OBLIGATIONS

**Pay-As-You-Go Versus Pre-Funded Cost Trends**

Pre-funding OPEB costs is initially more expensive than pay-as-you-go funding: an additional \$498,000 in 2008-09, assuming funding via an irrevocable trust. It is important to stress that GASB 45 does not require that the City budget or fund OPEB costs at this higher level – now or in the future. However, as reflected in the chart below, the cost in the not-so-distant future (about 15 years from now) becomes much more expensive under pay-as-you-go versus pre-funding.



And at the end of the amortization period, costs become much less expensive, as there are no longer any unfunded liabilities. Moreover, under the pay-as-you-go approach, the unfunded liability never goes away. In fact, as shown in the following chart, it continues to grow. On the other hand, funding at the “ARC” level results in no unfunded liabilities at the end of the amortization period – only ongoing “normal” costs.



Based on Council direction in May 2008, the City will begin pre-funding the OPEB obligation via an irrevocable trust in 2008-09.

As reflected above, the estimated cost for this organization-wide in 2009-10 is \$709,400. Of this amount, \$560,500 will be incurred in the General Fund and the balance in other funds, summarized as follows:

GASB 45 Cost allocation by Fund		
	2009-10	2010-11
General Fund	560,500	578,200
Community Development Block Grant	1,900	1,900
Water Fund	58,300	60,300
Sewer Fund	55,600	57,400
Parking Fund	16,900	17,400
Transit Fund	3,800	3,900
Golf Fund	5,600	5,800
Whale Rock	6,800	7,000
<b>Total</b>	<b>\$ 709,400</b>	<b>\$ 731,900</b>

**Funding via an Irrevocable Trust**

As discussed above, the most cost-effective approach in funding this cost is via an irrevocable trust, since it allows for higher actuarial yields on investments, which in turn reduces contribution rates. In May 2009, the Council approved a contract with CalPERS to provide OPEB trustee services.

# Presenting the Budget to Your Constituents

▶ Bill Statler, Consultant and Trainer/Retired Finance  
& IT Director, City of San Luis Obispo



Now that the Budget is adopted, you are being deluged with constituent requests from throughout your community for presentations on your agency's financial condition and outlook. (Well, it could happen ...) Okay: maybe not deluged. But it is likely in the aftermath of budget adoption that opportunities may arise to tell your agency's fiscal story to community groups.

I should note that meaningfully engaging your community and telling your fiscal story is probably more important during the budget development and review process than after its adoption. However, the good news is that the following tips in telling your fiscal story work equally well either during the budget process or after its adoption.

**Effectively Communicating Complex Numbers.** Regardless of size, local government finances can be very complicated. So what's the best way of communicating complex numbers? Don't. Instead, focus on communicating what they mean.

**Linking Goals/Outcomes with Resources.** At the end of the day, whether through an intentional process or otherwise, budgets tell us what's going to get done in the coming year (or two); and perhaps more tellingly, what won't get done. Your budget story should lead with the top goals for the year and how the budget allocates resources for these. Depending on your circumstances, it might also be important to identify key areas of unmet needs.

**Financial Challenges in Preparing the Budget.** Highlight the fiscal challenges that faced your agency in preparing a balanced budget and the steps you took in meeting them. This could include the results of longer-term forecasts; budget balancing actions reflected in the Budget; and challenges that may remain ahead.

**Key Fiscal Policies.** In this case, just focus on key ones (like balanced budget, reserves, revenue/debt service

ratios) and most importantly, how the budget stacks up to these. This will help demonstrate strong fiscal stewardship: first, by showing that you have clearly articulated policies to begin with (a good thing!); and importantly, that you follow them. On the other hand, if reserves are below policy levels, for example, then this is also an opportunity to discuss why this is the case and your plan for restoring them to policy levels.

**Focus on the Fewest Things that Explain the Most Amount of Stuff.** Okay: at some point in your fiscal story you're going to present some numbers. Even the smallest agencies have thousands of balance sheet and income accounts in their general ledger. The key to telling your fiscal story is to focus on the most important ones: in other words, the fewest things that explain the most amount of stuff. This is a take-off on the Pareto Principle (otherwise known as the 80/20 rule): typically, a large amount of effect is caused by a small number of factors. For example, 80%

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 "...a finance officer's top responsibilities is to effectively tell the agency's fiscal story to the organization, governing body and the community."  
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of your sales tax revenues come from 20% of your retailers; 80% of your TOT revenues come from 20% of your hotels; and 80% of your personnel problems come from 20% of your employees.

Stated simply, communicating your fiscal story means focusing on your top revenues and expenditures.

For example, in most cities, it is likely that your top five General Fund revenues account for 75% to 80% of total revenues: focus on these.

Using cities as an example, their fiscal story can often be presented in five simple graphics that show where city funds come from and where they go:

- All Funds (Figure 1). Even if the focus is on the General Fund, it's useful to first

focus on the city as a whole, and place the General Fund in context.

- General Fund Expenditures (Figure 2). With the General Fund in context, show General Fund expenditures by type: operating, capital improvements (CIP) and debt service. In virtually all cases, day-to-day operating costs – arresting bad guys, putting-out fires, filling chuck holes and pumping-up volley balls – are going to be the largest category. And if CIP costs are missing-in-action and a very small slice (or non-existent slice), that's an important part of your fiscal story, too. Lastly, it's an opportunity to show that the use of debt financing is modest (or if that's not the case, explain the circumstances).

- General Fund Operating Costs by Function (Figure 3). With operating costs in context from Figure 2, this emphasizes how funds are used in delivering day-to-day services: in most cases (as in this example), public safety is likely to be the most significant factor. It underscores that if cost reductions are necessary, and public safety is not part of the solution, then all other services will have to be reduced twice as hard.

- General Fund Operating Costs by Type (Figure 4). This shows the same total operating costs as Figure 4 but by type: in most cases (as in this example), staffing is likely to be the largest cost area. In this sample, this is directly related to public safety: police officers arrest bad guys and firefighters put out fires. It also shows that if meaningful and sustainable cost

reductions are needed, this means staffing cost reductions will be required.

On the other hand, for cities that largely contract-out their operations, this type of presentation can be helpful in making that point.

- General Fund Revenues (Figure 5). This shows top revenues, with the top five accounting for 75%.



After service charges and other taxes, everything else is just 5%.

On using pie charts: this type of presentation is often the best way of showing the "fewest things that explain the most amount of stuff." But if this is the goal, be careful that your pie chart only has a few slices! After about six slices, this is not the fewest things anymore; and if there's "leader lines" for 0.2% for fines and forfeitures, grants or interest earnings, Pareto is turning over in his grave.

Where You've Been. In some cases, it may be helpful to show where you've been. Figure 6 is a simple example of General Fund revenue trends that highlight the revenue challenges facing this agency. While it doesn't in this case, it might show how declines have bottomed-out and modest recovery is underway.

Know the Story You Want to Tell – and Tell that One. What's the plot? Who are the characters? Why do we care what happens to them? What's the moral?

Wrapping-Up: Zen Finance. One of a finance officer's top responsibilities is to effectively tell the agency's fiscal story to the organization, governing body and the community. The key to success is translating the numbers into what they mean in making your community a good place to live, work and play. ■

figure 1

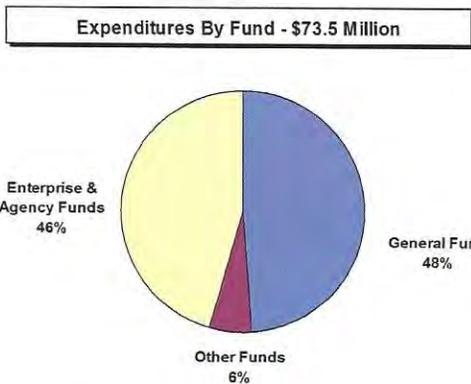


figure 2

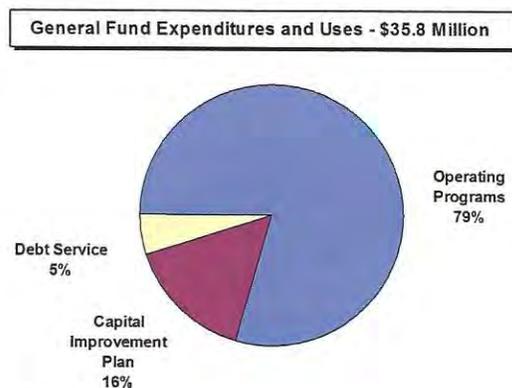


figure 3

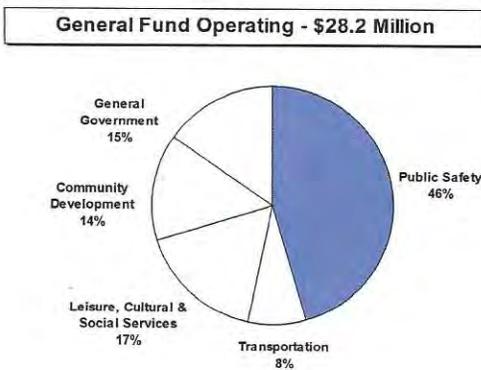


figure 4

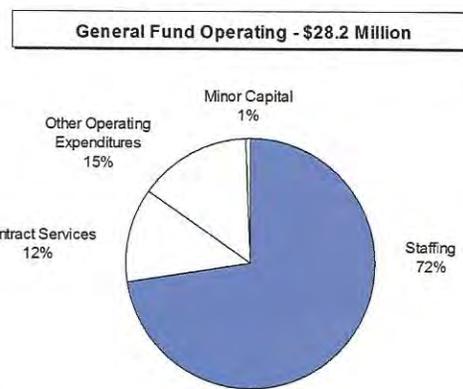


figure 5

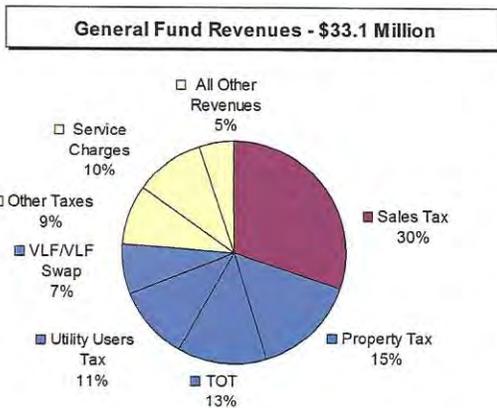
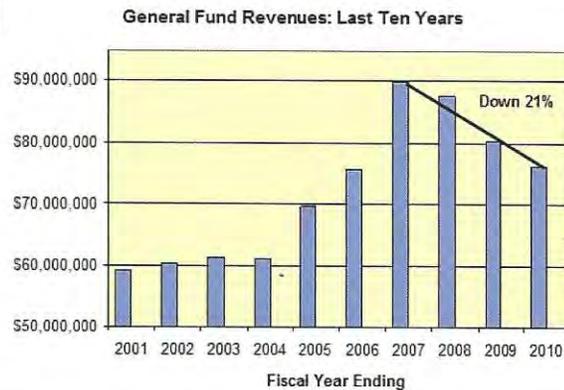


figure 6



# Budget-In-Brief

## 2009-11 Financial Plan

### *Another very tough budget that would be much worse without Measure Y*

The purpose of this "budget-in-brief" is to summarize the City's 2009-11 Financial Plan and 2009-10 Budget by highlighting the City's budget process, key budget features, major City goals and basic "budget facts." If you have any questions about the City's budget or would like a complete copy of the Financial Plan, please call us at 781-7125 or visit our web site at [www.slocity.org](http://www.slocity.org).

#### Purpose of the City's Two-Year Financial Plan

The fundamental purpose of the City's Financial Plan is to link what we want to accomplish for the community with the resources necessary to do so. Our two-year Financial Plan process does this by: clearly setting major City goals and other important objectives; establishing reasonable timeframes and organizational responsibility for achieving them; and then allocating the resources required for implementation.

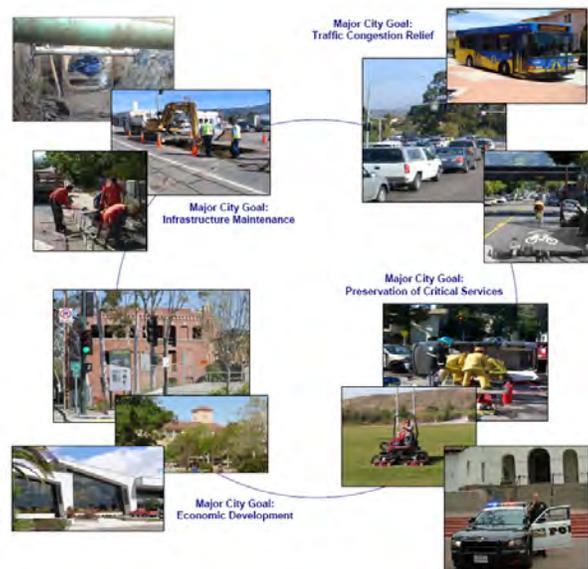
While appropriations are still made annually under this two-year process, the Financial Plan is the foundation for preparing the budget in the second year.

#### Major City Goals

Linking important objectives with necessary resources requires a process that identifies key

goals at the very beginning of budget preparation. Setting goals and priorities should drive the budget process, not follow it.

For this reason, the City began the 2009-11 Financial Plan process with a series of in-depth workshops where Council members considered candidate goals presented by community groups, Council advisory bodies and interested individuals; reviewed the City's fiscal outlook for the next five years and the status of current goals; presented their individual goals to fellow Council members; and then set and prioritized goals for the next two years.



City staff then prepared the Preliminary Financial Plan based on this policy guidance from the Council. A number of budget workshops and hearings followed, resulting in final Council adoption of the 2009-11 Financial Plan on June 16, 2009.

#### Financial Plan Policies

Formally articulated budget and fiscal policies provide the fundamental foundation for preparing and implementing the Financial Plan. Included in the Financial Plan

itself, these policies cover a broad range of areas such as user fee cost recovery goals, enterprise fund rates, investments, capital improvement management, capital financing and debt management, minimum fund balance and reserve levels, human resource management, productivity and contracting for services.

# city of san luis obispo

## KEY BUDGET FEATURES

Just two years ago, we characterized the City's fiscal outlook as the best in many years. This was largely due to the passage of Measure Y in November 2006, which established a general-purpose, ½-cent City sales tax. It also reflected an improved local economy and the absence of the threat of more State budget takeaways.

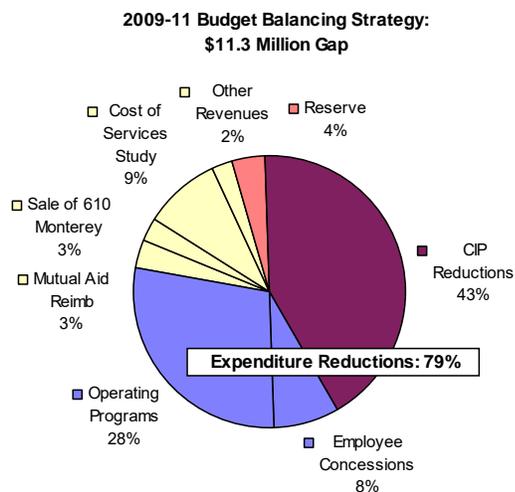
Unfortunately, this was no longer the case as the City began preparing the 2009-11 Financial Plan: we faced another very tough budget season. While Measure Y revenues continued to be a bright spot – in fact, without them we would have faced a dire fiscal situation instead of “just” a very tough one – all of the other bright spots had darkened. While there were several key actors in our tougher fiscal story, the most significant was the largest economic downturn since the Great Depression. This resulted in declines or tepid growth in our most important revenues, while costs – “but for” the corrective actions reflected in the 2009-11 Financial Plan, would have continued to grow.

### The Gap Facing Us without Corrective Action

The five-year fiscal forecast presented to the Council in December 2008 projected a “budget gap” of \$10.4 million annually in 2009-11, without corrective action. Based largely on continued downturns in transient occupancy tax (TOT) revenues since that time, this grew to \$11.3 million by Spring 2009. This would have been much worse without Measure Y: it would have risen to almost \$17 million annually.

### Budget-Balancing Strategy

The 2009-11 Financial Plan takes the corrective actions needed to close this gap and results in a balanced budget. As shown below, expenditure reductions played the largest role in this strategy, accounting for about 80% of the total.



Closing the Gap			
	Annualized	% of Total	One-Time
Reserve *	445,400	4%	890,800
New Revenues			
Cost of Services Study	1,030,700	9%	
Use of Property			
Sale of 610 Monterey	325,000	3%	650,000
Other Uses of Property	60,700	1%	
Mutual Aid Reimbursements	375,000	3%	
Improved Cost Recovery	205,000	1%	
Expenditure Reductions			
CIP Reductions	4,756,900	43%	
Employee Concessions	899,700	8%	
Operating Programs	3,182,800	28%	
<b>Total</b>	<b>\$11,281,200</b>	<b>100%</b>	

\* Retains at 20% policy but on lower operating expenditures

### General Fund Operating Budget Reductions

The deepest reductions were in the support departments, ranging from 11% to 8%; with the smallest reductions in “front-line” departments like Public Works, Police and Fire, ranging from 6% to 3%. Organization-wide, these reductions included staffing cuts of 26.8 full-time equivalent employees, of which 18.3 were regular positions. However, none of the proposed reductions resulted in regular staff lay-offs in the General Fund, based on vacancies and anticipated retirements.

Department	Annual Savings*	
	Amount	%
Council, Administration, City Attorney, City Clerk	393,300	11%
Human Resources	104,600	9%
Finance & Information Technology	308,800	8%
Community Development	172,250	6%
Parks & Recreation	273,150	7%
Public Works	739,250	6%
Police	876,050	6%
Fire	315,400	3%
<b>Total General Fund</b>	<b>\$3,182,800</b>	<b>6%</b>

\* Annual Average for 2009-11

### Use of Measure Y Revenues

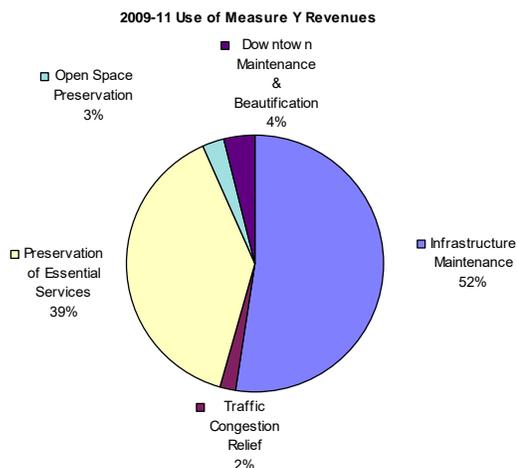
Measure Y revenues played an important role in mitigating even deeper cuts in City services while helping preserve essential services like police and fire protection; maintain critical infrastructure like street and sidewalk repairs; relieve traffic congestion; and preserve open space.

Provided in the following insert is background information about Measure Y revenues along with proposed uses in 2009-11 and actual uses last year in 2008-09.

## MEASURE Y USES: PROPOSED 2009-11

**About Measure Y.** Adopted by the voters in November 2006 with 65% approval, Measure Y sets an added ½-cent City sales tax. This general purpose revenue measure is projected to generate about \$5.6 million annually in the 2009-11 Financial Plan. This assumes flat revenues compared with the prior year. However, trends since these projections were prepared show that revenues are likely to be slightly less than this. This measure will “sunset” in eight years unless reapproved by voters.

**Proposed 2009-11 Uses.** Measure Y revenues in 2009-11 will allow us to continue funding many of the community priorities that surfaced before and during the Measure Y campaign; and equally important, they will prevent the much deeper cuts in these priority areas that would otherwise be required. The 2009-11 Financial Plan identifies how Measure Y revenues will be used in funding operating programs and capital improvement plan projects, which are closely aligned with top Council goals and objectives.



As summarized in the chart above, **over 50% of anticipated Measure Y funding will be used to fund infrastructure maintenance efforts such as street and sidewalk repairs and storm drain replacements.**

**Close to 40% of the funding will be used to preserve essential services like police and fire protection, creek and flood protection programs and neighborhood code enforcement.**

**Improving traffic congestion, maintaining and beautifying the Downtown and continuing preservation of open space make up the balance of anticipated Measure Y uses. Overall, about 35% of Measure Y resources will go towards operating programs over the next two years and 65% for capital improvements.**

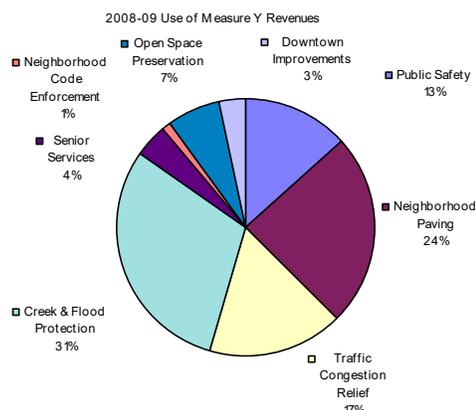
	Operating Programs	Capital Projects	Two-Year Budget Total
<b>Infrastructure Maintenance</b>			
Meadow Park Roof Replacement		45,000	45,000
Andrews Creek Bypass		330,000	330,000
Storm Drain Replacements		520,000	520,000
Minor Storm Drain Facilities		50,000	50,000
Higuera Culvert Repair		150,000	150,000
Sidewalk Repair		40,000	40,000
Sidewalk ADA Access Improvements		235,000	235,000
Warden Bridge Resurfacing		45,000	45,000
Street Reconstruction & Resurfacing		3,950,000	3,950,000
Street Light Painting		100,000	100,000
Urban Forest Management Plan		50,000	50,000
Street Fleet Replacements: Paver and Roller		365,800	365,800
Other Infrastructure Maintenance Projects		97,500	97,500
<b>Total Infrastructure Maintenance</b>		<b>5,978,300</b>	<b>5,978,300</b>
<b>Traffic Congestion Relief</b>			
Bicycle Safety	30,000		30,000
Traffic Safety Report Implementation		50,000	50,000
Neighborhood Traffic Management		40,000	40,000
Sidewalk Repair		40,000	40,000
Street Light Replacements - Broad Street		60,000	60,000
<b>Total Traffic Congestion Relief</b>	<b>30,000</b>	<b>190,000</b>	<b>220,000</b>
<b>Preservation of Essential Services</b>			
<b>Public Safety</b>			
Police Protection: Traffic Safety & Patrol	959,800		959,800
Fire Prevention & Training	825,700		825,700
Fire Engine/Truck Replacement: Debt Service		97,000	97,000
<b>Maintenance Services</b>			
Streets, Sidewalks and Traffic Signal Operations	363,700	106,500	470,200
Creek & Flood Protection	895,800		895,800
Parks	334,000	78,100	412,100
Project Management & Inspection	491,600		491,600
<b>Neighborhood Code Enforcement</b>			
Enhanced Building & Zoning Code Enforcement	247,800		247,800
"SNAP" Enhancement	36,200		36,200
<b>Total Preservation of Essential Services</b>	<b>4,154,600</b>	<b>281,600</b>	<b>4,436,200</b>
<b>Open Space Preservation</b>			
		322,500	322,500
<b>Downtown Maintenance &amp; Beautification</b>			
Sidewalk Repairs	10,000	40,000	50,000
Mission Style Sidewalks		200,000	200,000
Sidewalk Scrubbing	40,000	-	40,000
Pedestrian Lighting		70,000	70,000
Comprehensive Signing Program		75,000	75,000
<b>Total Downtown Maintenance &amp; Beautification</b>	<b>50,000</b>	<b>385,000</b>	<b>435,000</b>
<b>TOTAL</b>	<b>\$4,234,600</b>	<b>\$7,157,400</b>	<b>\$11,392,000</b>

### Projected Measure Y Revenues

2009-10	5,572,800
2010-11	5,778,100
<b>Total</b>	<b>\$11,350,900</b>

## MEASURE Y USES: ACTUAL 2008-09

As outlined in the sidebar table, actual uses of Measure Y revenues in 2008-09 (including encumbrances and carryovers) were \$8.2 million. Of this amount, about **75% went for neighborhood paving, traffic congestion relief and creek & flood protection.**



**Public safety** was enhanced through the addition of two patrol officers, traffic safety officer, communications technician, fire training battalion chief and additional essential training for the fire department.

Significant improvements were made in **street paving**, including the purchase of new equipment that allows the City's street crew to realize added productivity in maintaining the City's pavement. In addition, progress in **relieving traffic congestion** is underway with several intersection improvements as well as bicycle trail enhancements.

**Creek and flood protection** improvements included several projects to repair or replace storm drains and culverts. Additional storm drain improvement projects are currently under design and construction will be completed in the coming fiscal year.

The **Senior Center** at Mitchell Park underwent significant remodeling to improve the kitchen and storage situation. In addition, the construction of a parking lot at the center was completed during 2008-09. Measure Y also enabled the City to hire a **code enforcement** officer and additional employees in the Student Neighborhood Assistance Program (SNAP) to enhance the City's efforts in ensuring **compliance with building and zoning ordinances as well as responding to neighborhood issues.**

**Open space preservation** and **downtown improvements** continued through the use of Measure Y resources. This included the acquisition of an additional open space easement and increased maintenance efforts in the downtown core such as additional sidewalk cleaning and replacement of stairs at the Mission Plaza.

	Operating Programs	Capital Projects	2008-09 Total
<b>Public Safety</b>			
Police Protection: Traffic Safety & Patrol	748,200		748,200
Fire Prevention & Training	334,900		334,900
<b>Neighborhood Paving and Deferred Street Maintenance</b>			
Paving Crew Productivity	71,700	173,600	245,300
Neighborhood, Downtown & Arterial Street Paving		1,756,100	1,756,100
<b>Traffic Congestion Relief</b>			
Traffic Signal Operations	77,600	58,900	136,500
Johnson & Buchon Intersection Improvements		100,000	100,000
Bob Jones City-to-Sea Bike Trail Bridges		220,000	220,000
Tassajara/Foothill Intersection Improvements		125,000	125,000
Buena Vista/Garfield Intersection Improvements		14,500	14,500
Los Osos Valley Road Interchange			
Environmental Review & Design		586,900	586,900
Other Traffic Congestion Relief Projects	188,700		188,700
<b>Creek and Flood Protection</b>			
Storm Water Management Plan Implementation	813,000	30,300	843,300
Storm Drain Replacements		1,005,200	1,005,200
Creek Silt Removal		235,800	235,800
Andrews Creek Bypass Improvements		104,200	104,200
Bishop/Augusta Creek Bank Stabilization		36,500	36,500
Storm Sewer & Culvert Repairs		168,800	168,800
CIP Project Management & Inspection	91,600		91,600
<b>Senior Services and Facilities</b>			
Senior Center Window Replacement	10,000		10,000
Senior Center Remodel		343,400	343,400
<b>Neighborhood Code Enforcement</b>			
Enhanced Building & Zoning Code Enforcement	71,200		71,200
"SNAP" Enhancement	18,100		18,100
<b>Open Space Preservation</b>			
Open Space Acquisition		360,000	360,000
Open Space Maintenance & Enhancements	43,900	140,000	183,900
<b>Downtown Improvements</b>			
Sidewalk Repairs	9,900	44,700	54,600
Sidewalk Scrubbing	20,000		20,000
Pedestrian Lighting		51,000	51,000
Mission Plaza Stair Replacement		61,500	61,500
Downtown Urban Forest Maintenance		50,000	50,000
Comprehensive Signing Program		40,000	40,000
<b>Total</b>	<b>\$2,498,800</b>	<b>\$5,706,400</b>	<b>\$8,205,200</b>

### Measure Y Revenues & Uses Summary 2008-09

Revenues:	
Carryover from 2007-08 including encumbrances	3,098,800
Revenues for 2008-09	5,588,700
Total revenues available in 2008-09	8,687,500
Uses (including encumbrances and carryovers)	(8,205,200)
<b>Net available for future year appropriations</b>	<b>\$482,300</b>

# MAJOR CITY GOALS

The 2009-11 Financial Plan sets *Major City Goals* for the next two years and links them with the programs, projects and resources necessary to achieve them. Detailed work programs have been prepared for each of these goals, including its relationship to Measure Y priorities, challenges we will face in achieving the goal, action plans and resource requirements. As reflected below, these goals are closely linked to Measure Y priorities. Progress in achieving these goals based on the adopted “action plans” is reported to the Council on an ongoing basis. Compared with prior years, where there were typically eight to twelve Major City Goals adopted by the Council, there are only four Major City Goals for 2009-11. This reflects added focus in light of the fiscal challenges facing the City.

## Infrastructure Maintenance

Sustain an effective level of existing core infrastructure maintenance such as streets, sidewalks, creek & flood protection, park, and protection of other physical assets.



## Traffic Congestion Relief

Continue efforts on projects which relieve traffic congestion, such as street modifications, intersection improvements, pedestrian improvements, bicycle facilities, traffic signal operations and public transit.



## Economic Development

In collaboration with Cal Poly, Cuesta and the business community, develop strategies to increase economic development including emphasis on head-of-household jobs and environmentally sustainable businesses.



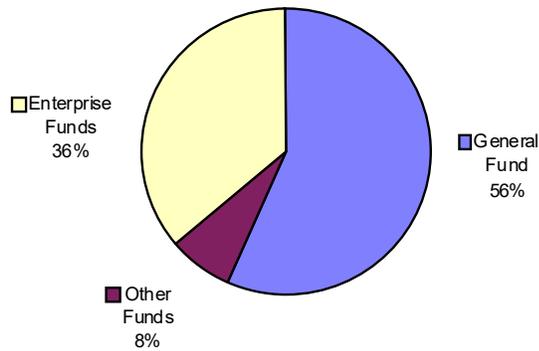
## Preservation of Essential Services and Fiscal Health

Adopt a balanced budget that retains the City’s fiscal health, preserves essential services and implements long term productivity improvements and cost-reduction strategies.

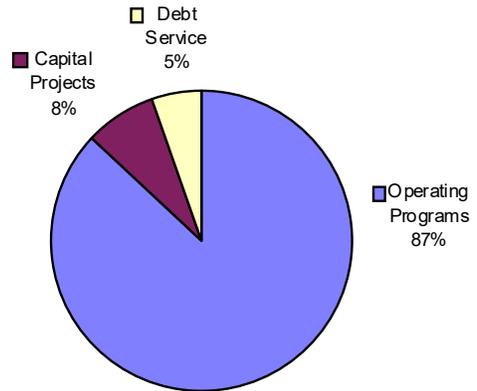


# BUDGET FACTS

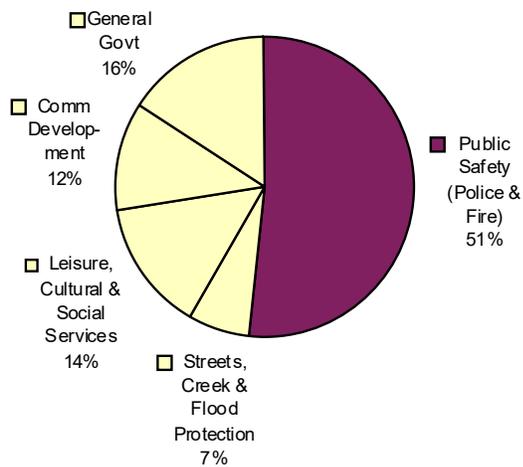
2009-10 Budget By Funding Source:  
\$96.7 Million



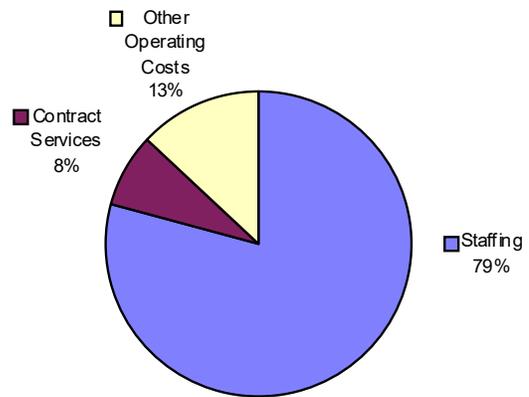
2009-10 General Fund Budget:  
\$54.4 Million



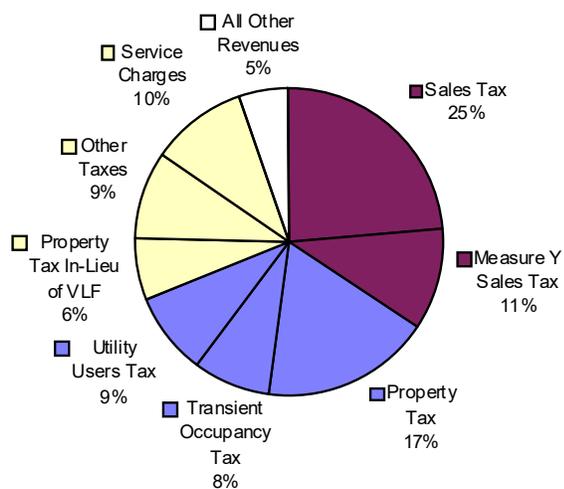
2009-10 General Fund Operating Budget  
By Function: \$47.3 Million



2009-10 General Fund Operating Budget  
By Type: \$47.3 Million



2009-10 General Fund Revenues:  
\$51.8 Million



### 2009-11 Major Capital Projects: All Funds (In Millions)

Public Safety Improvements	\$1.5
Water and Sewer System Improvements	10.3
Neighborhood & Arterial Street Paving	4.0
Pedestrian & Bikeway Improvements	3.5
Creek & Flood Protection Improvements	1.3
Park Improvements	2.3
Open Space Preservation	1.1

These projects total \$24 million, accounting for about 90% of total capital project costs of \$27.1 million in 2009-11.

### 2009-11 Regular Staffing: All Funds

Public Safety	139.5
Public Utilities	60.8
Transportation	32.0
Leisure, Cultural & Social Services	33.0
Community Development	40.6
General Government	51.5
<b>Total Positions</b>	<b>357.4</b>

Staffing levels at the end of 2009-11

## Financial Plan Calendar

When	Who	What
<b>September 2, 2008</b>	Council	<ul style="list-style-type: none"> <li>Approves Financial Plan process and schedule.</li> </ul>
<b>September 30, 2008</b> <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> <li>Reviews fiscal update and approves short-term budget actions in closing gap in 2008-09.</li> </ul>
October 9, 2008	CAO/Finance	<ul style="list-style-type: none"> <li>Updates advisory body chairs on the goal-setting process.</li> </ul>
November 3 2008	Finance	<ul style="list-style-type: none"> <li>Begins sending letters inviting participation in goal-setting process to community groups and interested individuals; and begins inserting Community Budget Bulletins in utility bills.</li> </ul>
November 10, 2008	Advisory Bodies	<ul style="list-style-type: none"> <li>Provide recommended goals to Finance.</li> </ul>
November 17, 2008	Finance	<ul style="list-style-type: none"> <li>Distributes consolidated listing of draft recommended goals to advisory bodies for their review.</li> </ul>
<b>November 20, 2008</b> <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> <li>Holds workshop on status of General Plan and programs, long-term capital improvement plan (CIP), Major City Goals, objectives and CIP projects; results of cost of services study; and general fiscal outlook.</li> </ul>
<b>December 16, 2008</b> <i>Regular Meeting</i> May Start at 4:00 PM	Council	<ul style="list-style-type: none"> <li>Finalizes goal-setting process; considers Financial Plan policies and organization; reviews audited financial results for 2007-08; and discusses results of General Fund five-year fiscal forecast.</li> </ul>
December 29, 2008	Finance	<ul style="list-style-type: none"> <li>Receives written comments from community groups and interested individuals, and any changes in goals from advisory bodies.</li> </ul>
<b>January 14, 2009</b> <i>Special Workshop</i> 6:30 to 9:30 PM	Council	<ul style="list-style-type: none"> <li>Holds community forum at the Ludwick Community Center.</li> </ul>
<b>January 31, 2009</b> <i>Special Workshop</i> 8:30 AM to 4:00 PM	Council	<ul style="list-style-type: none"> <li>Holds goal-setting workshop: discusses candidate goals presented at January 14 community forum; discusses Council member goals distributed on January 29; prioritizes and sets major City goals.</li> </ul>
<b>February 3, 2009</b>	Council	<ul style="list-style-type: none"> <li>Finalizes goals and priorities (if needed).</li> </ul>
<b>February 24, 2009</b> <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> <li>Considers mid-year budget review.</li> </ul>
March 19, 2009	Departments	<ul style="list-style-type: none"> <li>Submit budget requests and major City goal work programs.</li> </ul>
<b>April 14, 2009</b> <i>Special Workshop</i> 7:00 to 10:00 PM	Council	<ul style="list-style-type: none"> <li>Approves detailed work programs for Major City Goals.</li> <li>Sets strategic budget direction in preparing Preliminary Financial Plan.</li> </ul>
April to Mid-May	Budget Review Team, Finance	<ul style="list-style-type: none"> <li>Analyze department budget requests; hold briefings with departments; prepare revenue estimates; make recommendations to the CAO.</li> </ul>
May 28, 2009	CAO	<ul style="list-style-type: none"> <li>Finalizes budget recommendations and issues preliminary budget.</li> </ul>
<b>June 4, 9, 11, 2009</b> <i>Special Workshops</i> <i>Preliminary Budget</i> 7:00 to 10:00 PM	Council	<ul style="list-style-type: none"> <li>Holds evening workshops to review and discuss Preliminary Budget: <ul style="list-style-type: none"> <li>June 4: Overview and General Fund operating programs.</li> <li>June 9: General Fund CIP projects.</li> <li>June 11: Enterprise Fund programs, CIP projects and rates.</li> </ul> </li> </ul>
June 10, 2009	Planning Commission	<ul style="list-style-type: none"> <li>Reviews CIP for General Plan consistency.</li> </ul>
<b>June 16, 2009</b>	Council	<ul style="list-style-type: none"> <li>Holds continued Financial Plan review and adopts budget. (Holds special meeting on June 23 to continue review and adopt budget if required.)</li> </ul>

*Key Council Dates in Bold*

## CHANGES IN FINANCIAL POSITION

### GENERAL FUND

	Actual	Budget	2009-11 Financial Plan	
	2007-08	2008-09	2009-10	2010-11
<b>Revenues</b>				
Tax Revenues	45,194,500	44,305,000	43,637,200	45,106,400
Fines and Forfeitures	228,200	248,600	235,000	242,100
Investment and Property Revenues	1,116,700	940,700	648,000	650,600
Subventions and Grants	2,001,300	2,757,600	1,151,200	1,172,500
Service Charges	5,460,200	4,242,900	5,422,700	5,448,500
Other Revenues	151,100	718,000	778,000	128,000
<b>Total Revenues</b>	<b>54,152,000</b>	<b>53,212,800</b>	<b>51,872,100</b>	<b>52,748,100</b>
<b>Expenditures</b>				
Operating Programs				
Public Safety	25,055,900	27,754,800	24,275,700	24,820,600
Transportation	2,539,800	3,651,900	3,162,800	3,177,900
Leisure, Cultural & Social Services	6,398,600	7,107,700	6,689,300	6,876,800
Community Development	5,510,900	6,389,500	5,731,100	5,846,200
General Government	10,381,000	12,469,700	11,836,700	12,148,200
<b>Total Program Expenditures</b>	<b>49,886,200</b>	<b>57,373,600</b>	<b>51,695,600</b>	<b>52,869,700</b>
Reimbursed Expenditures	(4,075,300)	(4,210,800)	(4,406,800)	(4,496,200)
<b>Total Expenditures</b>	<b>45,810,900</b>	<b>53,162,800</b>	<b>47,288,800</b>	<b>48,373,500</b>
<b>Other Sources (Uses)</b>				
Operating Transfers In	1,717,300	1,243,300	1,232,200	1,276,800
Operating Transfers Out	(14,059,300)	(6,909,100)	(7,394,600)	(6,208,600)
MOA & Other Compensation Adjustments		(133,900)	(758,400)	(484,900)
<b>Expenditure Savings</b>		<b>2,150,000</b>	<b>1,033,900</b>	<b>1,057,400</b>
<b>Total Other Sources (Uses)</b>	<b>(12,342,000)</b>	<b>(3,649,700)</b>	<b>(5,886,900)</b>	<b>(4,359,300)</b>
<b>Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(4,000,900)</b>	<b>(3,599,700)</b>	<b>(1,303,600)</b>	<b>15,300</b>
<b>Fund Balance, Beginning of Year</b>	<b>18,830,000</b>	<b>14,829,100</b>	<b>11,229,400</b>	<b>9,925,800</b>
<b>Fund Balance, End of Year</b>	<b>\$ 14,829,100</b>	<b>\$ 11,229,400</b>	<b>\$ 9,925,800</b>	<b>\$ 9,941,100</b>

# PUBLIC ENGAGEMENT IN BUDGETING

*Budgeting is one of the most important decisions local agencies make.*

## Why involve the Public in Budgeting?

- The annual budget is typically the strongest statement of the local agency's priorities for the community. As such, it is important that the community is involved in the development of this document.
- Meaningful public involvement can help residents understand the hard choices that budgeting entails, and assist policy-makers in better understanding the programs and services residents value most.
- Increased public understanding about local agency budgets, including revenues, expenses and challenges can lead to greater support for budgetary decisions as well as for measures to increase effective use of local revenues.
- Transparency about the local agency finances and the budget decision-making process promotes public trust and confidence in the agency's stewardship of taxpayer dollars.
- The International County/City Management Association considers resident participation a core competency for successful public managers.
- The budgeting process allocates scarce taxpayer dollars to services, programs and facilities that play a key role in determining the community's quality of life.

## What Is "Public Engagement?"

Public engagement works to increase the extent to which residents become more informed about local issues and participate more effectively in local decision making. Approaches include:

- Public information
- Public consultation
- Public deliberation
- Sustained public problem solving

► **More information:** [www.ca-ilg.org/document/what-public-engagement](http://www.ca-ilg.org/document/what-public-engagement)

*Source: Center for California Studies, Civic Engagement and Local Fiscal Attitudes: 2013 Survey of Californians*

## Choosing the Right Approach Means Asking the Right Questions

- What type of input do staff and officials want from the public relating to budget decisions—a vision, an expression of broad community values, new ideas or choices among options, or ranked or unranked sets of ideas or preferences?
- How will the public's preferences and/or ideas be considered in final budget decision-making?
- Is the goal solely a one-time process or also to build an ongoing local agency and community capacity for public engagement?
- In terms of the desired participation, is the goal to hear:
  - From a broad cross-section of community?
  - From those with present direct interest in the subject, including stakeholders or stakeholder groups?
  - Or a combination of both of these groups?
- What time period as well as financial and staff resources can be devoted to the effort?
- Is broader community understanding and support for the ultimate budget decisions the goal? How important is that goal?
- Is the local agency (elected and staff) clear about its public engagement commitment, goals, and process. Is there clear communication between elected officials and staff?
- How comfortable are policy-makers with public involvement in budget decisions? Are they willing to strongly consider community opinion, even if it means reducing spending elsewhere in the budget?

[www.ca-ilg.org/PEConsultantTips](http://www.ca-ilg.org/PEConsultantTips)

## Tools to Consider

Once the purposes for engaging the public are clear, the task becomes selecting the approaches that best fit the goals. Often using more than one tool will secure the broadest participation.

**Surveys:** These provide a snapshot of public opinion at any given time; methods can include online, phone, mail, or in person (for example, using instant polling devices).

**When to use:** *When seeking input on budget balancing choices or strategies.*

**Online Forums (Social Media):** Technological platforms that allow for a virtual exchange of information and preferences.

**When to use:** *To gather input from a large number of people, on their schedule, from their home or office.*

### Advisory Boards, Commissions and Committees

Community members, typically representing interests, groups, areas of expertise or geographic areas are selected to provide input on budget goals, issues, priorities and decisions.

**When to use:** *When seeking to create a conduit for information between communities and local agency.*

**Workshops:** Opportunities for information sharing, discussion and feedback on budget goals and issues.

**When to use:** *Can give a significant number of community participants an opportunity to grapple with budget issues.*

**Deliberative Forum:** Similar to a workshop, but usually involves more information sharing and increased time for participant dialogue.

**When to use:** *When budget development is contentious and more in-depth and informed public input is desired.*

**Participatory Budgeting:** Allocation of a portion of revenues for local agency projects and programs by residents, utilizing an extensive nomination, community forum and voting process.

**When to use:** *When seeking to develop extensive community involvement in budget choices, particularly when there are significant differences of opinion in the community about spending new tax dollars or one-time funds, where community trust is low and/or where there are "new" revenues to allocate.*

## Communication and Engagement

Information and outreach are essential components of any public engagement strategy:

- **Budget and Financial Information.** For the public’s input to be helpful, it must reflect the realities of the agency’s fiscal situation. This requires that the public have appropriate and accessible information about both the budget process and the public agency’s finances.
- **Process Information.** Another component of the communications strategy is sharing information about the budget decision-making process and the opportunities residents have to participate in discussions and share their thoughts.
- **Inclusive Education and Outreach Strategies.** For decision-makers to hear from an informed and representative cross-section of the community, the agency must use education and outreach strategies that reflect the diverse ways that community members receive information.
- **Feedback Loops.** It is important that residents understand how their input influenced the ultimate budget. This could be accomplished through a community newsletter, a section of the budget narrative, or social media tools

► **More information:** [www.ca-ilg.org/EffectivePE-Strategic-Communication](http://www.ca-ilg.org/EffectivePE-Strategic-Communication)

## One Strategy: Start with Goals

The Government Finance Officers Association (GFOA), the leading professional organization for public agency finance professionals, recommends that the budget process be tied to goals. Such goals can define what a community wants to preserve or what it wants to move toward (something GFOA calls the “preferred future state of the community”).

The budget process is a tool to realizing those goals, involving the allocation of resources to fund local agency services, programs and facilities which are a key part of the strategy for accomplishing the goals. Such goals also help decision-makers and the community set priorities for allocating limited resources.

Such goal setting can occur as part of the budget process or a separate strategic planning process. It is often helpful to begin the goal-setting process several months in advance of the annual budget process, so that the budget will reflect the key priorities of the city council and community.

**Goal Setting Question Example:** What are the most important things for the city/county/school/special district to focus on over the next five years?

## A Strategy for Sustaining Public Engagement

A Working Group on Legal Frameworks for Public Participation has produced a model local ordinance for public participation as a tool for local agencies to use in committing to inclusive and authentic public participation in local agency decision-making processes.

► **More information:** [www.ca-ilg.org/post/new-strategy-sustaining-public-engagement](http://www.ca-ilg.org/post/new-strategy-sustaining-public-engagement)

### Engage the Full Spectrum of Your Population

*You may want to consider that participation in public engagement efforts more fully reflect community*

*“The mission of the budget process is to help decision-makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.” [emphasis added]*

*—National Advisory Council on State and Local Budgeting*

## For Additional Information

- *A Local Official's Guide to Public Engagement in Budgeting*  
[www.ca-ilg.org/engaging-public-budgeting](http://www.ca-ilg.org/engaging-public-budgeting)
- *Effective Public Engagement through Strategic Communication*  
[www.ca-ilg.org/EffectivePE-Strategic-Communication](http://www.ca-ilg.org/EffectivePE-Strategic-Communication)
- *Broadening Participation*  
[www.ca-ilg.org/broadening-participation](http://www.ca-ilg.org/broadening-participation)
- *Transparency Strategies*  
[www.ca-ilg.org/transparency-strategies](http://www.ca-ilg.org/transparency-strategies)
- *Public Engagement Key Questions for Local Officials*  
[www.ca-ilg.org/PublicEngagementKeyQuestions](http://www.ca-ilg.org/PublicEngagementKeyQuestions)
- *GFOA, Best Practices in Budgeting, Principle 1*  
[www.gfoa.org/services/nacslb/introprinciples.htm#l](http://www.gfoa.org/services/nacslb/introprinciples.htm#l)
- *GFOA Resource: Best Practices in Budgeting*  
[www.gfoa.org/services/nacslb/](http://www.gfoa.org/services/nacslb/)
- *Information on Local Agency Finance*  
<http://www.ca-ilg.org/Budgeting-finance>
- *Evaluating Public Engagement Activities*  
[www.ca-ilg.org/measuring-public-engagement-success](http://www.ca-ilg.org/measuring-public-engagement-success)
- *ICMA Resource: Practices for Effective Local Government Management*  
<http://webapps.icma.org/credentialing/Practices.pdf>



The Institute for Local Government is the nonprofit research and education affiliate of the League of California Cities, the California State Association of Counties and the California Special Districts Association.

Its mission is to promote good government at the local level with practical, impartial, and easy-to-use resources for California communities.

The Institute's current program areas include:

- Local Government Basics
- Public Engagement
- Ethics and Transparency
- Sustainability
- Collaboration and Partnerships

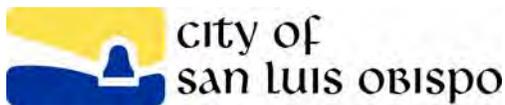
**The Institute also gratefully acknowledges the following individuals who reviewed this document and offered their comments prior to publication:**

- Dan Keen, City Manager, City of Vallejo
- William Statler, Municipal Financial Management Consultant, Retired Director of Finance & Information Technology/City Treasurer, City of San Luis Obispo

### **Public Engagement in Budgeting**

[www.ca-ilg.org/engaging-public-budgeting](http://www.ca-ilg.org/engaging-public-budgeting)

Institute for Local Government  
1400 K Street, Suite 205  
Sacramento, CA 95814  
(916) 658-8208



## Our Multi-Year Budgeting Experience

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The City of San Luis Obispo prepared its first two year Financial Plan in 1983, and we have continued to use it as one of our core tools for planning and budget-making ever since.

The purpose of this “white paper” is to summarize our twenty-two years of experience with this approach, including: What are the benefits of multi-year budgets? What are the potential downsides? What are some of the underlying concepts that need to be in place in order to realize these benefits? What should other cities consider in moving to a multi-year budget? And lastly, why does this work for the City of San Luis Obispo?

### *What are the benefits of multi-year budgets?*

We believe that the goals identified when the City's first two-year plan was prepared over twenty years ago continue to be realized:

- Integrate our goal-setting and budgetary process.
- Reinforce our commitment to long-term fiscal health by looking beyond a one-year time horizon in our ability to fund operating programs and capital improvements.
- Promote more “orderly spending patterns” – in other words, mitigate against the “use it or lose it” mentality.
- Retain the fiscal control provided by annual budgets.
- Save time and effort in preparing annual budgets.

The following further discusses what we believe are the key benefits—for us—in using a multi-year approach to budgeting:

**Integrating goals and resources.** The key to understanding why our City has remained committed to using multi-year budgets is understanding the other elements of budgeting that we believe are important.

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*We believe that the primary purpose of our budgeting process is to link what we want to accomplish for the community with the resources necessary to do so.*

This means viewing the budgetary process as the primary tool available to us in identifying the most important things for us to accomplish, and then ensuring that the budget allocates the resources necessary to achieve them.

Accordingly, our budget process includes early Council involvement in setting major City goals and priorities as the first major step in preparing the two-year Financial Plan.

Although the specifics vary from year to year, a special Council goal-setting workshop is held at the beginning of the Financial Plan preparation process. Significant staff work does not begin on the budget until after this workshop is completed and the Council has agreed upon the most important, highest priority things for the City to accomplish over the next two years.

The resulting budget instructions from the City Administrator (CAO) to staff in preparing their departmental budgets direct that funding be included in their submittals to accomplish these Council goals. (Discussing the mechanics of how this process works is a topic in itself for another “white paper” that we’ve prepared.)

In addition to identifying major City-wide goals as developed by the Council, the City's Financial Plan also includes comprehensive mission, goal and

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**Multi-Year Budgeting: The City of San Luis Obispo Experience**


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objective statements for each of the City's 72 operating programs along with a full description of program activities.

This planning process occurs within a comprehensive framework of adopted fiscal policies covering a wide range of issues including revenue management, user fee cost recovery goals, enterprise fund fees and rates, investments, capital financing and debt management, productivity, contracting for services, human resources management, fund balance/working capital levels and capital improvement management.

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*In summary, our budget is intended to focus on the key questions of what we do and why, not just how much does it cost and how will it be funded.*

In this context, multi-year budgeting makes a great deal of sense. Very few goals and objectives fit into neat one-year increments. As such, a multi-year approach enables us to better set meaningful objectives with realistic timeframes for completing them. In reflecting this focus on planning and budgeting for accomplishments, the City issues formal reports on an ongoing basis on the status of major goals, objectives and CIP projects as well as issuing interim financial reports.

**Mitigating the “use it or lose it” mentality.** In addition to reinforcing the City's planning efforts, a multi-year approach also provides for more “structured operations” and “orderly spending patterns.” This is a policy euphemism for mitigating the “use it or lose it” mentality that can often exist in managing operating budgets.

Under our two-year approach, unspent operating appropriations can be carried over in their entirety into the second year. It isn't automatic—approval by the CAO is required—but it does offer departments the opportunity to fund worthwhile activities or projects with their operating savings, and to ensure that carry-over funding is available for multi-year objectives and operating activities.

**Retaining fiscal control.** A two-year budget can mean significantly different things to different

organizations. In some cities, a two-year budget means adopting a single number that encompasses the entire two-year period, with the operating departments then responsible for allocating their expenditures as they believe appropriate over the two-year period. With this approach, for example, a two year appropriation of \$1 million could have expenditures of \$700,000 the first year and \$300,000 in the second year as determined by the operating department. Another approach is to formally adopt annual budgets for both fiscal years at the same time.

In our case, we prepare a Financial Plan that provides for two years of operations along with a four-year capital improvement plan. Under this approach, appropriations continue to be made annually; however, the Financial Plan is the foundation for preparing the budget for the second year. Additionally, as noted above, unexpended operating appropriations from the first year may be carried over for specific purposes into the second year with the approval of the CAO.

As discussed in greater detail below, the City devotes as much financial and policy attention to the second year of our two-year Financial Plan as the first. This means the budget must balance and make as much fiscal sense in the second year as it does in the first for both operations and capital improvements.

For example, in preparing the 2005-07 Financial Plan, we developed revenue, expenditure (operating, capital and debt service) and changes in fund balance/working capital schedules for both 2005-06 and 2006-07 for all of our funds; and applied our “balanced budget” and minimum fund balance policies to both fiscal years.

It's important to note that the second year of our Financial Plan is not a “wish list:” we don't include any new programs, personnel or CIP projects in the second year unless we are fully committed to implementing them and to making any revenue adjustments that may be necessary to fund them.

Similar in concept to a mid-year budget review, the second year is used as an opportunity to adjust the Financial Plan as necessary, but it is not intended to

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**Multi-Year Budgeting: The City of San Luis Obispo Experience**


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be a fundamental reevaluation of our major goals and plans for the balance of the two-year period.

**Saving time and resources in preparing the budget.** If our approach to budget preparation was primarily a number-crunching exercise, these savings would probably not be significant. However, because of our commitment to using the budget process as a major planning and goal-setting opportunity, the savings with a two-year approach are significant.

Preparing the initial two-year Financial Plan document is an extensive, time-consuming process that involves virtually everyone in the organization, including Council advisory bodies. All of our program goals and activities are revisited at this time, and departmental objectives are developed along with Council goals.

Some effort comparisons: preparing the 2005-07 Financial Plan took eleven months and twelve Council workshops, study sessions and public hearings to complete, and resulted in a 402 page document (and two major appendices totaling 516 pages); adopting the 2004-05 budget (second year of the 2003-05 Financial Plan) required just one regular Council meeting (and was considered as just one of many items) and resulted in a 165 page “supplement” document (including supporting documentation).

**Maintaining our fiscal health.** Lastly, multi-year budgeting reflects a fundamental commitment to fiscal health by outlining the financial challenges facing the City—not just this year, but in the foreseeable future; and then initiating the next step of developing—and implementing—solutions in meeting these challenges.

***Does this mean economic stability is a necessary pre-condition for a realistic multi-year budget?***

Before we entered into the very difficult economic environment of the early and mid-1990’s—which in California was compounded by hard-hitting cuts by the State to all levels of local government as it struggled with its own very serious budget problems—I would have answered yes to this question. However, based on our experience ten

years ago in putting together the 1993-95 Financial Plan, I believe that taking a multi-year approach is even more important in difficult years than in the “good ones.” And this belief was reinforced by the very tough budget process we went through in preparing the 2003-05 and 2005-07 Financial Plans.

In our case, it assists us in making realistic—though tough—decisions about what we can reasonably afford to do in the long run, and eliminates most one-time fixes and “smoke and mirror” approaches to balancing the budget.

In fact, because we knew 1993-95 would be an extremely difficult period for us financially, starting with that Financial Plan, we have extended our forecast period to five years in developing our basic budget balancing strategies in order to ensure that we are in fact making budget decisions that make sense for the foreseeable future. And this longer-term approach was also invaluable in preparing both the 2003-05 and 2005-07 Financial Plans.

Does this mean making assumptions about the future that may become obsolete before the laser jet ink is even dry? Yes. (Although there are strategies for minimizing this—but this is also the subject of another “white paper.”) And isn’t there a lot of risk with using this approach? Perhaps.

But what is the alternative if you’re serious about assuring your city’s long-term fiscal health?

Without some idea of the problems you’re trying to solve, it is very difficult (if not impossible) to find the right solutions.

***Importance of a commitment to a planning approach.*** What is probably more important than economic stability in making our approach to multi-year budgeting work is some level of political stability. This doesn’t mean stability in a policy “agenda” sense, but stability in the commitment by elected officials to using the budget process as a meaningful planning and financial programming tool. This concern was reflected back when a two-year budget process was first considered by our “pioneers” in their deliberations about what two-year period should be selected:

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**Multi-Year Budgeting: The City of San Luis Obispo Experience**


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- The one that immediately follows a Council election?
- Or the one that follows a year later?

In support of the first option is the argument that new Council members should be able to immediately affect City plans, policies and goals for the next two years; in support of the second option is the argument that Council members will be more effective in implementing changes after they are more experienced as Council members and more familiar with city operations.

Because of changes in our election dates since the two year approach was first adopted, we've had the opportunity to experience both situations in preparing our two year Financial Plan. The ultimate conclusion? It probably doesn't matter which two-year period you select *if* the Council is genuinely committed to a policy-based, planning-oriented budget process. (However, there will be more staff work involved in helping new Council members prepare for their first two-year budget, especially if there are three new members, which is possible with our staggered terms and term limits.)

***Lessons learned—what should you consider in moving to a two-year budget?***

Based on our experience, I think the most important first step for any city that is seriously considering moving towards a two-year budget is to clearly think through the following:

- Most fundamentally, what do you hope to accomplish if you adopt this approach?
- What is your current organizational culture in terms of departmental versus centralized control of the budget? Is this something you want to change?
- Is integrating strategic planning and the budget process a high priority? Do you have a process for this now, and will a multi-year approach improve it?

Once the goals of moving to a two-year budget are identified and agreed upon, the “mechanics” of how

to put it together and administer it will follow by simply asking: does this procedure help or hinder accomplishing our goals?

Specifics we've developed in San Luis Obispo in meeting our goals include:

- **Planning.** We begin the two-year process with Council goal-setting. Their agreed-upon priorities are incorporated into the preliminary budget preparation by the staff. By using a two-year timeframe, we are able to establish reasonable schedules for achieving these goals.
- **Fiscal health.** We review budget requests and prepare annual operating and capital budgets for both years with equal levels of care and specificity, and make budget decisions based on our financial condition at the end of the second year—not just the first year—of the budget timeframe.

And we don't create “phantom” budget balancing items or defer tough decisions to the second year: any needed expenditure cuts or new revenues have to be real and specified. If an increase in taxes or fees is required to balance the budget, Council approval of the ordinance or resolution implementing this is an integral part of the budget adoption process.

- **Fiscal control.** We retain the concept of annual budgets; we do not adopt a single “two-year” number without regard as to which fiscal year there is departmental spending authority. Equally important, we develop revenue and fund balance projections for each fiscal year, and the results must be consistent with adopted fiscal policies.

For example, annual operating expenditures should not exceed operating revenues; and ending fund balance should be at least 20% of operating expenditures.

- **Spending patterns.** Although we retain the concept of annual budgets, operating budget savings in the first year are available for carry-over into the second year. However,

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**Multi-Year Budgeting: The City of San Luis Obispo Experience**


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programming these amounts back into departmental budgets requires CAO approval.

As noted above, it's not "automatic" (we have developed specific guidelines on how balances are carried-over), but it does provide operating departments with additional funding flexibility using their prior year savings. At the end of the second year, all operating appropriations lapse.

- **Time and effort.** As discussed above, we've experienced significant savings in preparing the second year of our two-year document, but virtually all of these savings are attributable to what we want our two-year Financial Plan process to accomplish. The budget for the second year is viewed as a "supplement" to its parent document, and it focuses solely on changes to the adopted Financial Plan; it is not another comprehensive Financial Plan preparation effort.

***Summary: Why does this work for us?***

Multi-year budgeting works for us because of how we've defined the fundamental purpose of our budgetary process:

- Identify the most important things for us to accomplish for our community.
- Establish reasonable timeframes and organizational responsibility for achieving them.
- Allocate the resources necessary for programs and projects to implement them.

Even though we annually adopt our budget, we take the two-year nature of our Financial Plan very seriously. In balancing our budget, we are equally concerned with outcomes in the second year (in fact, perhaps even more so) than with projections for the first year.

At an operational level, it works because departmental staff have confidence that operating savings from the first year will be available in the second; and that there is as much commitment to funding any new programs, projects or staffing in the second year as there is in the first. At an elected

official level, I think it works because it provides Council members with an effective framework for accomplishing their goals and policy objectives.

*Simply stated, it works because we believe in—and are committed to—the underlying principles that a multi-year approach supports. Without this commitment, the benefits of multi-year budgeting are probably not there.*

When I first came to San Luis Obispo in 1988, I have to admit that I was highly skeptical of the real value of a policy-based, multi-year approach to budgeting and financial planning. At best, I believed it was "frosting on the cake" of what otherwise needed to be a much more basic, meat and potatoes approach to preparing budgets.

After sixteen years (and the preparation of eight Financial Plans), it is difficult for me to envision anything more fundamentally necessary for the well-being of a community than identifying where it wants to go and a budget process designed to help it get there.

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*Bill Statler*  
*Director of Finance & Information Technology*  
*City of San Luis Obispo*





## Quarterly Financial Report

### Second Quarter

January 15, 201X

#### OVERVIEW

This report summarizes the City's overall financial position for the fiscal year through December 2009. Except as noted below, revenues and operating expenditures are generally on target based on past trends for the second quarter. We will provide the Council with a detailed analysis of the City's financial condition as part of the mid-year budget review.

**Adjusted Budgets and Revenue Estimates.** The revenue projections and budgets include adjustments for encumbrances, carryovers and any supplemental appropriations made by the Council as of December 31, 2009.

**Mid-Year Budget Review.** The City's overall revenue and expenditure picture will be discussed in greater detail during the Mid-Year Budget Review scheduled for Council consideration on February 23, 2010.

#### GENERAL FUND

**General Fund Financial Condition.** With 50% of the year complete, General Fund revenues are at 45% of projections and expenditures are at 50%:

General Fund Balance	Budget	YTD Actual	Percent
Revenues	51,999,600	23,268,900	45%
Expenditures	48,170,700	24,276,700	50%
Other Sources (Uses)	(5,702,100)	(3,167,200)	56%
Balance, Start of Year	13,991,900	13,991,900	-
<b>Balance, Year-to-Date</b>	<b>12,118,700</b>	<b>9,816,900</b>	-

**Top Ten Revenues.** Our top ten revenues account for about 90% of total General Fund revenues. By focusing on these, we can get an excellent understanding of our revenue position.

Overall, these key revenues are performing as projected based on revised estimates, payment schedules and past trends for the second quarter. Any significant variances are noted below.

Top Ten Revenues	Budget	YTD Actual	% Received
Sales tax - general	12,342,100	4,291,300	35%
Sales tax - measure Y	5,572,800	2,677,700	48%
Property tax	8,968,800	4,565,400	51%
Transient occupancy tax	4,185,300	2,594,000	62%
Utility users tax	4,456,200	2,362,400	53%
Property tax in lieu of VLF	3,354,100		0%
Business tax	1,828,000	1,817,900	99%
Franchise fees	2,519,100	1,478,300	59%
Development review fees	2,373,900	713,000	30%
Recreation fees	1,318,100	533,300	40%
Investment earnings	475,000	279,300	59%
<b>Total</b>	<b>47,393,400</b>	<b>21,312,600</b>	<b>45%</b>

**Sales Tax.** Results to-date are closer to budget estimates than it appears. Due to the "triple flip," we only receive 75% of our base revenues from State allocations: the remaining 25% is remitted to us from the County in January and June via a complicated estimating formula. That said, after adjusting for this, we are still down about 5% from our already-revised-downward estimate. As our top revenue source, we will continue to monitor this closely and will revise as appropriate with the Mid-Year Budget Review.

**Property Tax.** The first major apportionment of 2009-10 taxes occurred in December 2009 and thus far collections are slightly better than estimated.

**Transient Occupancy Tax.** As noted in the TOT report for November 2009, year-to-date revenues are 10.5% lower than the same period last year compared with our projection for a decline of 10%.

**Property Tax In-Lieu of VLF.** We will not receive any revenues from this revenue source until January 2010.

**Business Tax.** The renewal cycle for business tax occurs during the first quarter of the fiscal year.

**Franchise Fees.** We will not receive the largest components of our franchise fee revenues—payments from PG&E and Southern California Gas Company—until April 2010; however, franchise fees from City utilities exceeded budget estimates.

**Development Review Fees.** We will continue to monitor these revenues. While they are below projections for the current year, they are consistent with collections for the same period last year.

**Recreation Fees.** These revenues are slightly below targets based on results from the same quarter last year.

**Investments Earnings.** Investment revenue appears to be performing well, due to larger investable balances and slightly higher yields than anticipated. However, as the financial markets continue to fluctuate, we will continue to monitor this closely.

**Expenditures.** Operating costs are generally on target for the second quarter of the year as summarized below:

Expenditures By Type	Budget	YTD Actual	% Expended
Staffing	41,154,700	20,253,700	49%
Contract services	4,402,600	2,130,800	48%
Telecomm & utilities	1,769,200	822,300	46%
Insurance	2,286,900	2,212,800	97%
Other operating costs	2,893,100	1,028,300	36%
Minor capital	71,100	32,200	45%
Total by type	52,577,600	26,480,100	50%
Reimbursed expenditures	(4,406,800)	(2,203,400)	50%
<b>Total</b>	<b>48,170,800</b>	<b>24,276,700</b>	<b>50%</b>

Because there were three payrolls in July and December, we are actually below target for staffing costs. The only other key variance by type is insurance: this reflects the City's annual premium for liability, workers compensation and property insurance, which is due in full in July.

Departmental operating expenditures are also generally on target:

Expenditures	Budget	YTD Actual	% Expended
Administration	2,624,800	1,406,400	54%
City Attorney	569,900	298,800	52%
Human Resources	3,410,300	2,755,600	81%
Finance & IT	3,596,500	1,671,100	46%
Community Development	2,669,500	1,183,500	44%
Parks & Recreation	3,167,900	1,486,900	47%
Public Works	11,956,000	5,513,700	46%
Police	14,991,400	7,144,800	48%
Fire	9,591,200	5,019,300	52%
Total Departmental	52,577,500	26,480,100	50%
Reimbursed Expenditures	(4,406,800)	(2,203,400)	50%
<b>Total Expenditures</b>	<b>48,170,700</b>	<b>24,276,700</b>	<b>50%</b>

The only significant variance is in Human Resources, which reflects the City's annual insurance premium payments as discussed above.

## ENTERPRISE FUNDS

In general, enterprise fund revenues and expenditures are consistent with past trends.

### Water Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	14,451,200	7,901,000	55%
Expenditures			
Operating programs	8,111,100	3,911,200	48%
CIP projects	7,779,500	1,159,100	15%
Debt service	2,279,900	1,049,500	46%
Other Sources (Uses)	(802,500)		0%
Balance, Start of Year	13,897,100	13,897,100	-
<b>Balance, Year-to-Date</b>	<b>9,375,300</b>	<b>15,678,300</b>	-

### Sewer Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	12,850,500	6,688,600	52%
Expenditures			
Operating programs	7,866,200	3,692,500	47%
CIP projects	6,555,100	1,155,100	18%
Debt service	3,167,300	2,727,300	86%
Other Sources (Uses)	(236,900)		0%
Balance, Start of Year	8,165,000	8,165,000	-
<b>Balance, Year-to-Date</b>	<b>3,190,000</b>	<b>7,278,700</b>	-

### Parking Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	4,157,600	1,972,500	47%
Expenditures			
Operating programs	2,167,400	1,016,100	47%
CIP projects	2,710,600	55,300	2%
Debt service	1,473,900	551,000	37%
Other Sources (Uses)	(1,200)		0%
Balance, Start of Year	7,250,900	7,250,900	-
<b>Balance, Year-to-Date</b>	<b>5,055,400</b>	<b>7,601,000</b>	-

### Transit Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	5,406,500	1,454,900	27%
Expenditures			
Operating programs	2,933,100	995,700	34%
CIP projects	2,888,100	939,300	33%
Other Sources (Uses)	(1,200)		
Balance, Start of Year	729,000	729,000	-
<b>Balance, Year-to-Date</b>	<b>313,100</b>	<b>248,900</b>	-

### Golf Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	487,500	200,000	41%
Expenditures			
Operating programs	699,900	352,200	50%
CIP projects	86,600	23,800	27%
Other Sources (Uses)	242,600	121,300	50%
Balance, Start of Year	61,100	61,100	-
<b>Balance, Year-to-Date</b>	<b>4,700</b>	<b>6,400</b>	-

### Whale Rock Commission

Working Capital	Budget	YTD Actual	Percent
Revenues	1,001,200	574,700	57%
Expenditures			
Operating programs	932,700	485,200	52%
CIP projects	223,400	-	0%
Other Sources (Uses)	(2,700)		0%
Balance, Start of Year	809,900	809,900	-
<b>Balance, Year-to-Date</b>	<b>652,300</b>	<b>899,400</b>	-

**For More Information.** This summary is based on detailed information produced by the City's financial management system. If you would like additional information, or have any questions about the report, please call Finance at 781-7128.



## Quarterly Financial Report

### Fourth Quarter

August 31, 201X

#### OVERVIEW

Since this report is for the last quarter, it serves as an *interim* financial report for the year. While the audit is not yet complete, we believe this interim report provides a reasonable basis for assessing the General Fund's financial position at the end of 2008-09. However, this information is subject to change once all accruals have been made and the audit is completed. Final financial statements are likely to be issued in December 2009.

#### GENERAL FUND FOCUS

The focus of this report is on the General Fund. However, based on interim results, the enterprise and other funds generally performed as well or better than budget projections.

#### General Fund Overview

Based on interim results, financial operations for the year were on target for overall revenues. However, as discussed in greater detail below, expenditures were 5% lower than budget projections.

**What Does This Mean?** While revenues were on target overall (within 0.4%), sales tax revenues (including Measure Y) – our most important revenue source – were \$773,500 below estimates, which will have an ongoing impact into 2009-11. This decline in our sales tax base (which is described further below) means that even if we “only” experience the 2.5% decline anticipated in 2009-10, we will see reduced revenues of \$1.5 million over the next two years. Combined with the state takeaways we already know about, worth \$1.2 million, this means that the General Fund balance would be \$2.7 million less than anticipated at the end of the 2009-11 Financial Plan, if all other factors remain the same.

Fortunately, these future revenue declines are offset by expenditure budget savings in 2008-09 of \$2.7 million (5%). However, while the decrease in the sales tax base is ongoing, the expenditure savings are largely one-time due to staffing savings resulting from “frozen” or vacant positions. And in those cases where savings are ongoing,

they have already been reflected in the 2009-11 Financial Plan.

**The Net Result.** Given the one-time nature of the expenditure savings combined with the ongoing shortfall in sales tax revenues and state budget takeaways to-date, this means reserves at the end of the 2009-11 Financial Plan (if all other factors remain the same) will be right at our policy level. Stated simply, while the year-end results are favorable overall, there are still challenges ahead of us; and the restoration of our reserve to policy levels, which had fallen to 18% of operating expenditures due to State takeaways versus our policy of 20%, will hold us in good stead in meeting these.

**Results Reflect our Core Values.** It is a sad fact that the “use it or lose it” mentality does exist in many government organizations. However, we are fortunate that this is not the case in San Luis Obispo. The positive year-end results are solely due to the strong stewardship values of our organization: that when faced with tough fiscal times, City staff went the extra mile in limiting expenditures and not trying to game the system by making last minute purchases at year-end. Given the state takeaways and deep sales tax shortfall, this strong stewardship ethic will serve us well in facing the many fiscal challenges that remain ahead of us.

**“Use it or lose it”  
mentality does  
not exist in our  
organization.**

#### Revenue and Expenditure Summary

As reflected in the following summary, overall revenues were on target with budget estimates while expenditures were less than budgeted by 5% (\$2.7 million). Combined with minor shortfalls in revenues and other sources and uses, this results in an ending General Fund balance that is \$2.4 million more than projected.

General Fund Balance	Budget	Actual	Variance	%
Revenues	53,356,500	53,097,200	(259,300)	0%
Expenditures*	51,341,000	48,600,100	2,740,900	5%
Other Sources (Uses)	(5,877,500)	(5,964,400)	(86,900)	-1%
Fund Balance, 7-01-08	14,829,100	14,829,100	-	
Fund Balance, 6-30-09	10,967,100	13,361,800	2,394,700	

\* Includes estimated expenditure savings, reimbursed expenditures, encumbrances and MOA adjustment carryovers.

## Top Ten Revenues

Our top ten revenues account for about 90% of total General Fund revenues. By focusing on these, we can get an excellent understanding of our revenue position.

As shown below, while there are some variances both up and down, overall our top ten revenues were within 1% of our estimates.

Top Ten Revenues	Budget	Actual	Variance	%
Sales Tax: General	12,597,000	11,984,800	(612,200)	-5%
Sales Tax: Measure Y	5,750,000	5,588,700	(161,300)	-3%
Property Tax	8,792,900	8,788,400	(4,500)	0%
TOT	4,650,300	4,679,500	29,200	1%
Utility Users Tax	4,375,000	4,358,500	(16,500)	0%
VLF Swap	3,408,800	3,504,700	95,900	3%
Franchise Fees	2,438,600	2,439,400	800	0%
Business Tax	1,874,900	1,878,500	3,600	0%
Dev Review Fees	1,574,500	1,752,600	178,100	11%
Recreation Fees	1,224,700	1,293,600	68,900	6%
Investment Earnings	875,000	964,400	89,400	10%
<b>Total</b>	<b>47,561,700</b>	<b>47,233,100</b>	<b>(328,600)</b>	<b>-1%</b>

The following highlights key revenue results:

**Sales Tax.** General sales tax receipts were \$612,200 (5%) lower than estimated due to declines in nearly every major business category: new motor vehicles, lumber and building materials, home furnishings and department stores. Similar declines were experienced statewide.

Revenues from our local ½-cent sales tax (Measure Y) were also lower than expected by \$161,300 (3%). However, the decline in this related revenue source was lower than general sales tax because Measure Y revenues are not subject to our five year pass-through agreement with the County for sales tax revenues from the airport area.

These results are worse than they appear on the surface because we already estimated a decline of 7.25% from the prior fiscal year. Total results for 2008-09 reflect a 10% decline from 2007-08 levels. The 2009-11 Financial Plan estimates an additional decrease of 2.5% in 2009-10. As noted above, if we “only” experience this level of downturn, sales tax revenues will be \$1.5 million lower than current budget projections because of the lower base over the two years of the 2009-11 Financial Plan period.

**Property Tax.** Property tax revenues are on target with the budget estimates. We have not seen the level of declines in property tax revenues that many other communities are experiencing. This will remain an important revenue source to monitor in the next year.

**Transient Occupancy Tax (TOT).** As indicated in the recent TOT newsletter, results for the year were slightly better than our budget estimate for an 8% decrease, but

significantly down (6.8%) from the prior fiscal year. The 2009-11 Financial Plan projects additional declines in TOT revenue of 10% in 2009-10.

**Development Review Fees.** These are driven by the timing of private sector permit applications, which are difficult to project, and as such, revenue we received this year may simply mean lower revenues next year. While the revenues exceeded estimates, it is important to note two things: the budget was significantly revised downward during the fiscal year; and actual results represent a decrease of over \$950,000 from the prior year. In short, while it is certainly good news that these revenues exceeded our estimates; this is a significant decline from the prior year.

**Recreation Fees.** Revenues from the aquatics programs, special events and instruction fees exceeded estimates, which accounts for the \$68,900 positive variance in recreation fees.

**Investment Earnings.** Revenues from our investments performed better than projected largely due to higher yields and larger than anticipated investable balances. Based on current interest rate trends, we anticipate a decline in future interest earnings: the 2009-11 Financial Plan anticipates annual investment earnings of \$475,000.

## Expenditures

After adjusting for projected expenditure savings, encumbrances and carryovers, expenditures were 5% under budget. While savings occurred in all categories, staffing savings account for about two-thirds of the total underage. This primarily reflects positions that were impacted by the hiring freeze and remained vacant throughout the fiscal year.

**By Department.** As shown below, all expenditures by department were below budget.

Expenditures	Budget	Actual*	Variance	%
Administration	2,428,000	2,254,800	173,200	7%
City Attorney	550,600	545,900	4,700	1%
City Clerk	589,300	475,000	114,300	19%
Human Resources	2,519,400	2,115,500	403,900	16%
Finance & IT	4,342,700	3,737,700	605,000	14%
Community Dev	2,943,100	2,559,600	383,500	13%
Parks & Recreation	3,532,800	3,272,100	260,700	7%
Public Works	12,654,400	11,780,900	873,500	7%
Police	16,262,200	15,228,400	1,033,800	6%
Fire	11,670,400	10,841,000	829,400	7%
Total Departmental	57,492,900	52,810,900	4,682,000	8%
Reimbursed Expenses	(4,210,800)	(4,210,800)	-	0%
MOA Adjustments	208,900		208,900	
Estimated Savings	(2,150,000)		(2,150,000)	
<b>Total Expenditures</b>	<b>51,341,000</b>	<b>48,600,100</b>	<b>2,740,900</b>	<b>5%</b>

\* Including encumbrances and carryovers of \$563,800.

**By Type.** Operating expenditures *by type* were also less than budgeted as summarized by the following.

Expenditures By Type	Budget	Actual*	Variance	%
Staffing	45,272,200	42,161,300	3,110,900	7%
Contract Services	5,257,500	4,531,100	726,400	14%
Telecomm & Utilities	1,726,300	1,662,000	64,300	4%
Insurance	1,195,700	1,051,500	144,200	12%
Other Operating Costs	3,896,900	3,302,200	594,700	15%
Minor Capital	144,300	102,800	41,500	29%
Total by Type	57,492,900	52,810,900	4,682,000	8%
Reimbursed Expenses	(4,210,800)	(4,210,800)	-	0%
MOA Adjustments	208,900		208,900	
Estimated Savings	(2,150,000)		(2,150,000)	
<b>Total</b>	<b>51,341,000</b>	<b>48,600,100</b>	<b>2,740,900</b>	<b>5%</b>

\* Including encumbrances and carryovers of \$563,800.

### Other Sources (Uses)

Operating transfers in 2008-09 are slightly lower than projected, resulting in a negative variance in Other Sources (Uses) of \$86,900. Of this variance, reduced gas tax revenues account for \$19,100; reduced Proposition 42 Funds account for \$57,700; and other sources (uses) account for \$10,100.

### FOR MORE INFORMATION

This summary is based on detailed information produced by the City's financial management system. If you would like additional information, or have any questions about the report, please call us at 781-7128.

**Council Update on October 6, 2009.** We plan to provide the Council with an update on the City's fiscal status based on interim year-end results and first quarter trends at the October 6, 2009 meeting.

Electronic Distribution: All Employees



## Sales Tax Newsletter

### Third Quarter of Calendar Year

#### OVERVIEW

**For the Quarter.** This newsletter covers the City's sales tax revenues received in March 2010 for sales occurring from July through September 2009. After adjusting for apportionment errors and late payments, "point-of-sale" revenues were down by 13.1% compared with the same quarter last year. This follows a 13.7% decline last quarter.

*After adjustments, "point-of-sale" revenues were down by 13.1% compared with the same quarter last year.*

#### Sales Tax Receipts Summary

Sales Tax Receipts	3rd Qtr 2009	3rd Qtr 2008	% Change
Reported Point-of-Sale	2,734,015	3,029,510	-9.8%
Net Adjustments	(141,354)	(47,012)	
<b>Adjusted Point-of Sale</b>	<b>2,592,661</b>	<b>2,982,498</b>	<b>-13.1%</b>
Pool Receipts	264,771	319,773	-17.2%
<b>Total</b>	<b>2,857,432</b>	<b>3,302,271</b>	<b>-13.5%</b>

The following summarizes "point-of-sale" revenues by major business group, *after adjusting* for late payments, apportionment errors last year and other adjustments identified by our sales tax advisor:

#### Adjusted Sales Tax Receipts By Type

Point-of-Sale Receipts	3rd Qtr 2009	3rd Qtr 2008	% Change
Gen Consumer Goods	932,455	1,081,052	-13.7%
Autos & Transportation	486,642	553,373	-12.1%
Restaurants & Hotels	318,623	331,636	-3.9%
Building & Construction	260,007	294,640	-11.8%
Fuel & Service Stations	232,875	345,503	-32.6%
Business & Industry	184,517	200,413	-7.9%
Food & Drugs	177,542	175,881	0.9%
<b>Total</b>	<b>2,592,661</b>	<b>2,982,498</b>	<b>-13.1%</b>

**Continuing Trends.** Results mirror trends for the last nine straight quarters, with auto sales continuing their steep decline from peak levels. As was expected, fuel sales were down sharply, largely due to much lower prices at the pumps compared with this time last year.

Recently annexed businesses in the airport area partially offset the drop in building and construction expenses.

**Measure Y Revenues.** Measure Y revenues are also down from last year by 12.2%.

#### NEWSLETTER CONTENTS

This newsletter includes a summary prepared by the City's sales tax advisor highlighting key trends and sales tax issues. It also includes the following charts and graphs about the City's sales tax base:

*Several of these charts are based on "raw" unadjusted data. As such, caution should be used in analyzing these results.*

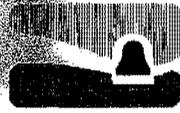
- Major business groups: third quarter 2009 and 2008
- Top 25 sales tax producers (listed alphabetically for this quarter)
- Top 15 business categories: this quarter compared with last year
- Sales per capita: City compared with the County and State, last 13 quarters
- Major business groups: last 13 quarters
- Sales per capita: City compared with five other agencies in the region, last 13 quarters
- Sales tax revenues by geographic area: this quarter compared with last year

A listing of individuals and organizations that routinely receive this newsletter is provided at the end of the report.

#### MORE INFORMATION AVAILABLE

The information provided in this newsletter is based on a detailed database available to the City through our sales tax advisor. If you require additional information about the City's retail base, or have any questions about this newsletter, please contact Bill Statler, Director of Finance & Information Technology, at (805) 781-7125.

Q3



# San Luis Obispo Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

## San Luis Obispo In Brief

Receipts for sales occurring in the July to September quarter were 10.5% lower than the same period last year but aberrations skewed results. With anomalies removed, actual sales declined 13.1%.

Lower same store returns and store closures in the electronics/appliance store, home furnishings and department store categories offset gains from new outlets in family and women's apparel.

New auto sales declined while recently annexed businesses partially offset the drop in building and construction related receipts. Lower fuel prices combined with the decrease in commercial activity accounted for the drop in the Fuel & Service Station group.

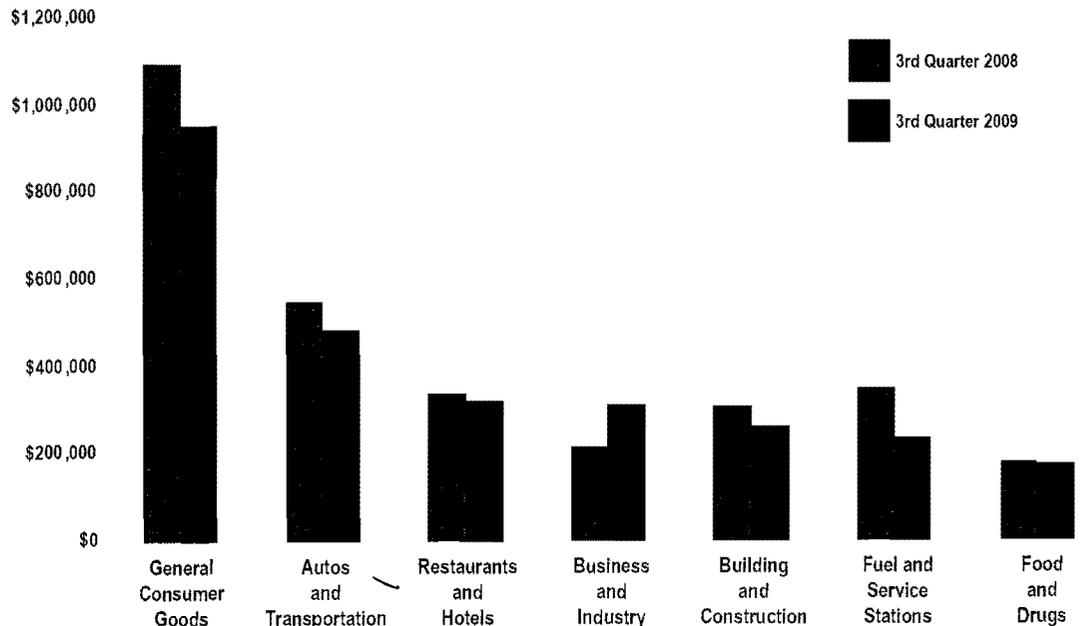
The rise in restaurants with liquor from new eateries was offset by losses in other restaurant sectors.

An allocation error in the electrical equipment category accounted for the increase in Business & Industry overall.

The city's half cent transaction tax generated \$1,354,782 that was a 12.2% decrease from a year ago.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County, including its cities, declined 17.8% over the comparable time period while the Central Coast region as a whole was down 15.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Apple Computer	Kimball Motor
Bed Bath & Beyond	Laguna Shell & Madonna Shell
Best Buy	Lucky Brand
Chevron	Dungarees
Coast BMW Nissan	Moller Investment Group
Cole Dodge Chrysler	Perry Ford
Costco	San Luis Chevron
Cuesta Cadillac	Sears
Saab Rancho Grande Motors	Sunset Auto Sales
Ferguson Enterprises	Tennis Warehouse
Forever XXI	Tesoro Refining & Marketing
Hayward Lumber	Toyota of San Luis Obispo
Home Depot	Westinghouse Electric
JB Dewar Exxon Distributor	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$5,934,084	\$5,330,640
County Pool	637,407	530,572
State Pool	1,805	5,232
Gross Receipts	\$6,573,295	\$5,866,444
Less Triple Flip*	\$(1,643,324)	\$(1,466,611)
Gross Trans. Tax	\$3,054,555	\$2,667,975

\*Reimbursed from county compensation fund

## Statewide Sales Declines

With aberrations factored out, statewide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of \$4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

## But Slow Recovery

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

## Triple Flip Woes

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

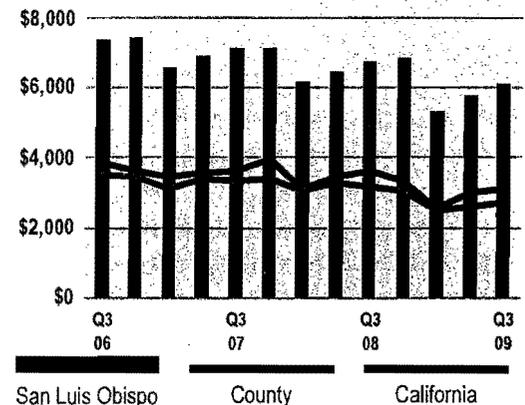
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

## Stimulus Update

Approximately two thirds of the estimated \$85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The \$20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

## SALES PER CAPITA



## SAN LUIS OBISPO TOP 15 BUSINESS TYPES

Business Type	San Luis Obispo		County	HdL State
	Q3 '09*	Change	Change	Change
New Motor Vehicle Dealers	\$365.7	-10.6%	-1.6%	-9.8%
Discount Dept Stores	— CONFIDENTIAL —		-4.2%	-4.4%
Service Stations	200.3	-23.5%	-30.5%	-28.8%
Lumber/Building Materials	145.3	-15.7%	-25.8%	-14.3%
Electronics/Appliance Stores	140.4	-22.7%	-19.9%	-13.7%
Electrical Equipment	132.7	na	894.3%	-13.1%
Family Apparel	120.0	36.1%	12.1%	2.2%
Restaurants Liquor	109.1	3.9%	-1.5%	-4.0%
Sporting Goods/Bike Stores	99.7	-0.7%	-3.9%	-5.4%
Restaurants No Alcohol	99.6	-5.6%	-3.6%	-10.1%
Grocery Stores Liquor	85.5	-0.7%	4.4%	-1.4%
Restaurants Beer And Wine	84.6	-17.1%	-7.4%	-14.4%
Specialty Stores	73.1	-12.2%	-16.0%	-10.1%
Home Furnishings	68.0	-25.9%	-20.5%	-17.9%
Women's Apparel	64.1	31.9%	23.2%	-11.0%
<b>Total All Accounts</b>	<b>\$2,734.0</b>	<b>-9.8%</b>	<b>-14.8%</b>	<b>-13.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>264.8</b>	<b>-17.2%</b>		
<b>Gross Receipts</b>	<b>\$2,998.8</b>	<b>-10.5%</b>		

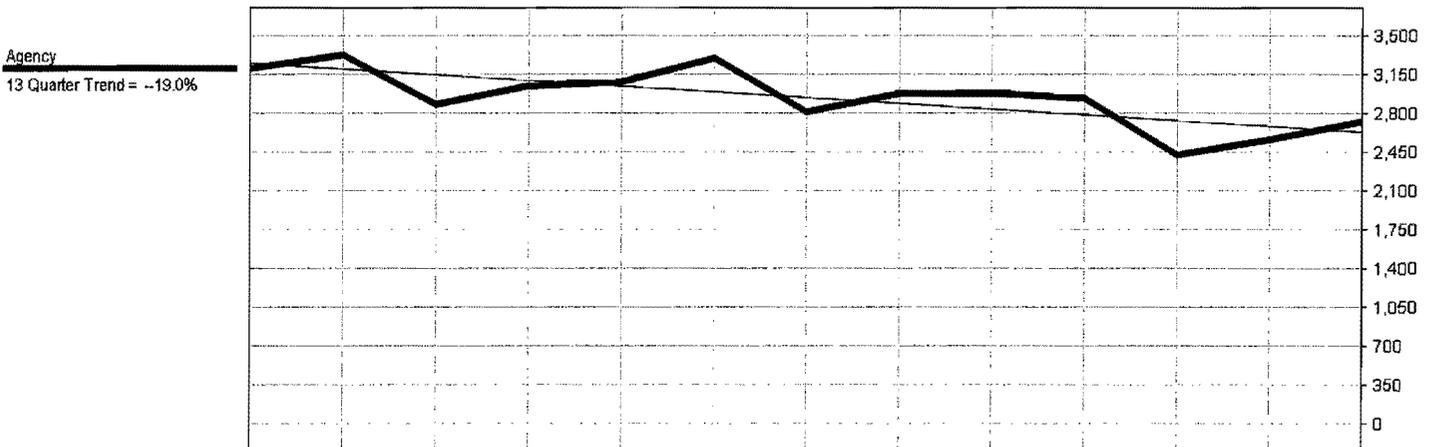
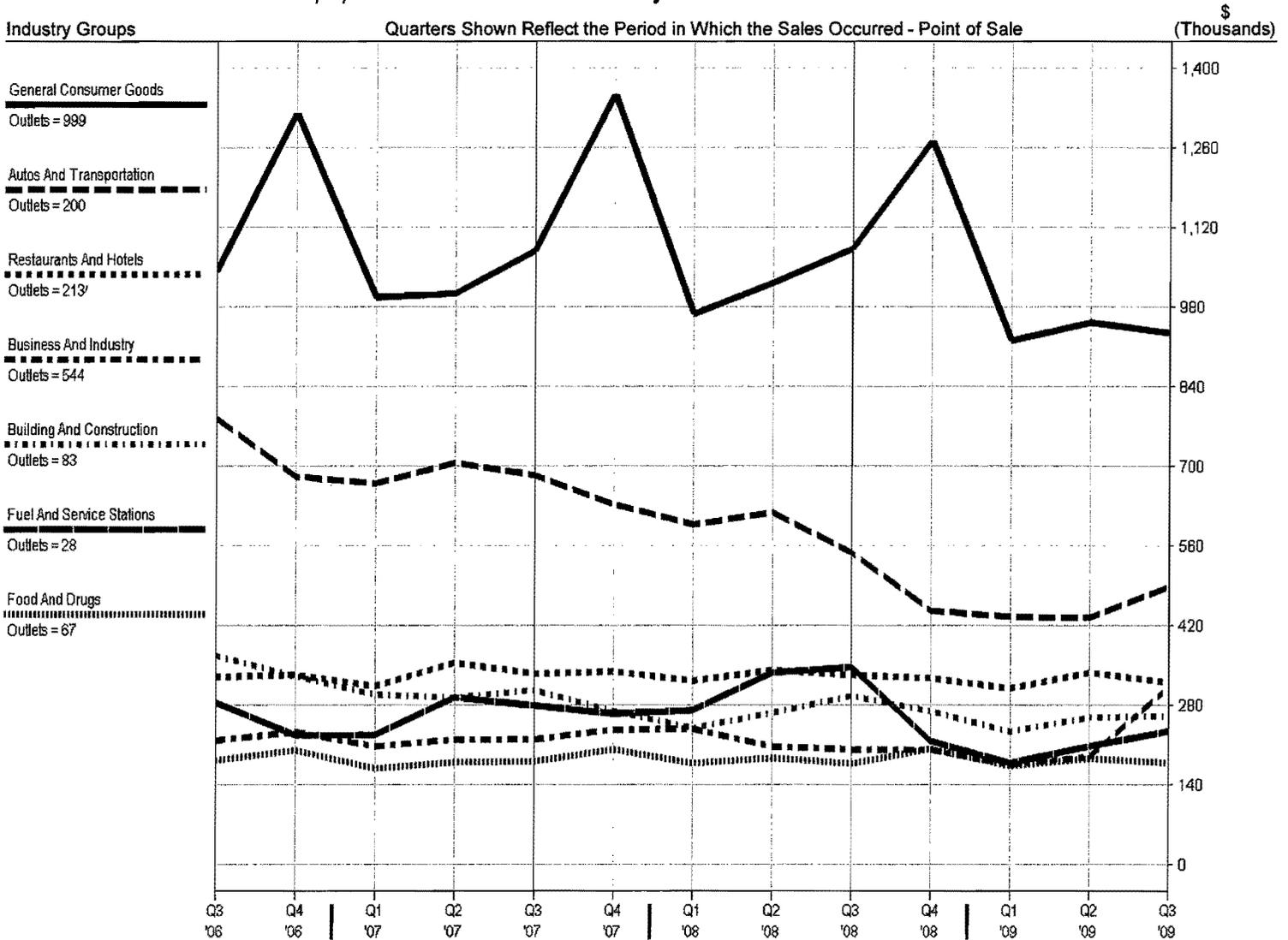
\*In thousands



# CITY OF SAN LUIS OBISPO MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares sales tax for the Major Industry Groups. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**



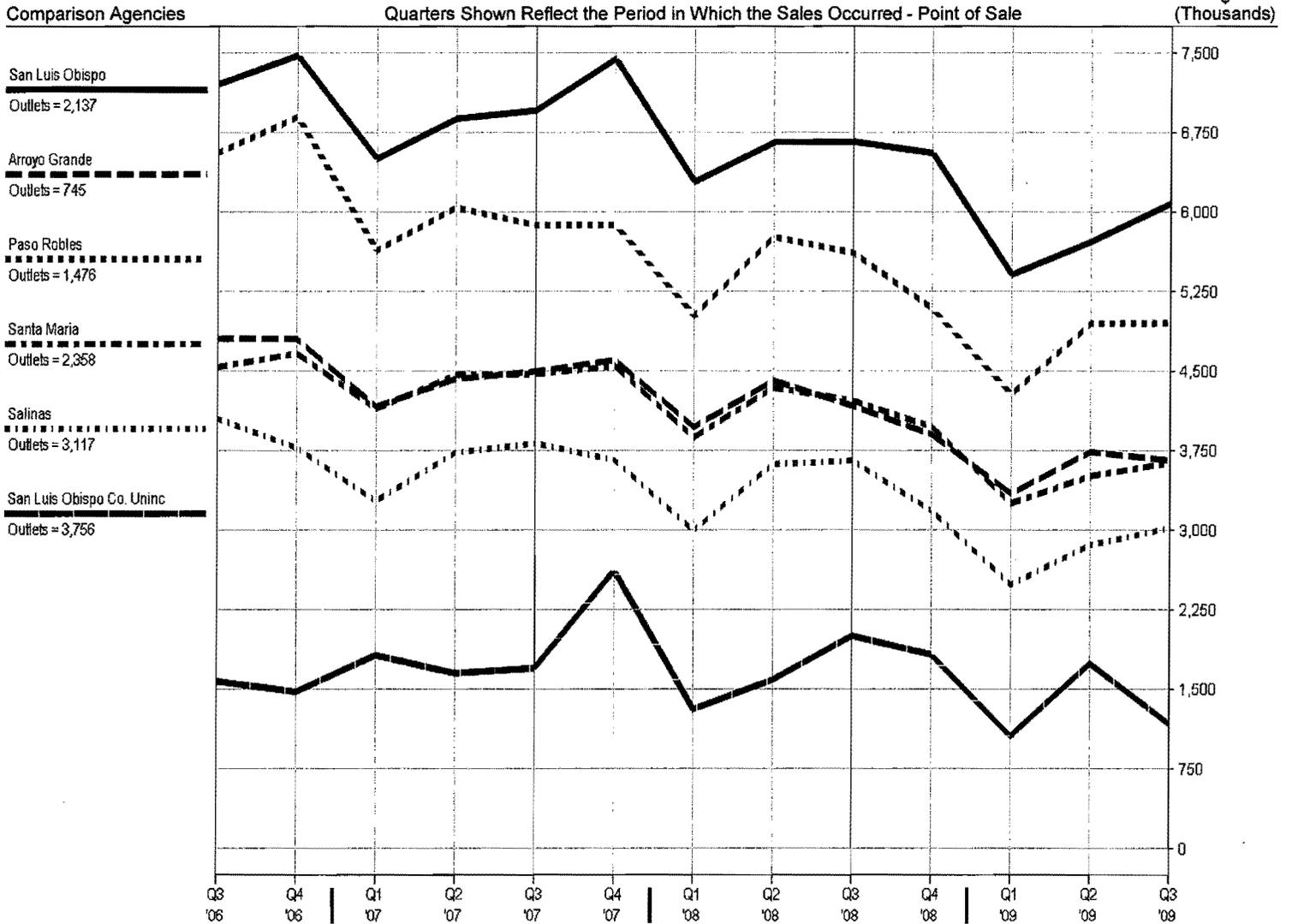


# CITY OF SAN LUIS OBISPO

## ALL BUSINESS TYPES - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares **per capita** sales to that of 6 other jurisdictions. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**



Point of Sale Revenues				
	Quarterly Revenues*			3rd Qtr 2009
	3rd Qtr 2009	3rd Qtr 2008	% Change	% of Total
Laguna/Los Osos Valley Road Area	438,517	510,163	-14.0%	16.0%
Downtown Area	422,278	468,297	-9.8%	15.4%
Madonna Road Area	303,527	363,906	-16.6%	11.1%
South Higuera Area	263,540	383,029	-31.2%	9.6%
South Broad/Santa Barbara Area	283,057	345,784	-18.1%	10.4%
Foothill/Chorro/Santa Rosa Area	89,199	121,329	-26.5%	3.3%
Monterey/Santa Rosa Area	127,521	156,630	-18.6%	4.7%
Airport Area	180,074	136,349	32.1%	6.6%
All Other Areas	626,301	544,023	15.1%	22.9%
<b>Total - Point of Sale Revenues</b>	<b>2,734,014</b>	<b>3,029,510</b>	<b>-9.8%</b>	<b>100.0%</b>

\* Adjusted for double payments, transfers and reporting errors by the State.

Total Revenues				
Point of Sale	2,734,014	3,029,510	-9.8%	91.2%
Pool Allocations	264,771	319,773	-17.2%	8.8%
<b>Total Revenues</b>	<b>2,998,785</b>	<b>3,349,283</b>	<b>-10.5%</b>	<b>100.0%</b>

## Map of Geographic Areas

**Sales Tax Newsletter**DISTRIBUTION LIST

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**City of San Luis Obispo**

City Council  
Department Heads  
Economic Development Manager  
Department Fiscal Officers  
Budget Review Team  
Finance & Information Technology Staff

**Other Individuals and Organizations**

Dean Haupt, Rancho Grande Motors  
Ermina Karim, SLO Chamber of Commerce  
Deborah Cash, Downtown Association Administrator  
Greg Salgado, UCSB Economic Forecast Project  
Promotional Coordinating Committee Members  
Maggie Cox, Barnett Cox & Associates  
The Tribune (Sally Connell, Julie Lynem)  
Mike Harmon, San Luis Obispo Council of Governments



## Monthly TOT Report

*December*

February 8, 201X

This report covers the City's transient occupancy tax (TOT) revenues for the month of December 2009 compared with the two prior years. As reflected below, revenues for December 2009 are **down by 10.3%** from last year and **down 10.5%** year to date.

**Trend Analysis.** TOT revenues in December continued to decline, maintaining the downward trend of the last year. On one hand, the news could be better: traditionally, the December holiday leads to a boost in tourism activity in the City. On the other hand, the 10% downturn is consistent with our projections for the year; and it is certainly better than the 20% downturn in November 2009.

**What's This Mean?** The year to date decline of 10.5% puts us near the revenue projection in the 2009-11 Financial Plan, which estimated that TOT revenues would fall by 10%.

We will continue to closely monitor our monthly results in 2009-10 and, if appropriate, update our projections at the mid-year budget review.

**For More Information.** Please call Jennifer Thompson, Revenue Supervisor, at (805) 781-7129.

Year-to-Date TOT Revenues					
	Prior Year 2007-08	Last Year 2008-09	This Year 2009-10	Increase (Decrease) Last Year Vs This Year	
				Amount	Percent
July	\$565,386	\$565,637	\$508,195	(\$57,442)	-10.2%
August	573,057	609,452	511,744	(97,708)	-16.0%
September	465,179	416,859	400,023	(16,836)	-4.0%
October	418,474	416,905	414,870	(2,035)	-0.5%
November	375,287	354,737	280,913	(73,823)	-20.8%
December	312,510	274,871	246,684	(28,187)	-10.3%
<b>Year-to-Date Total</b>	<b>2,709,893</b>	<b>2,638,461</b>	<b>2,362,430</b>	<b>(276,031)</b>	<b>-10.5%</b>
January	287,474	258,316			
February	342,220	292,343			
March	386,458	289,506			
April	388,911	391,891			
May	435,516	393,431			
June	513,631	456,098			
<b>TOTAL</b>	<b>5,064,102</b>	<b>4,720,047</b>	<b>2,362,430</b>		

## CONSULTANT BACKGROUND

Bill Statler has extensive experience in organizational review, strategic planning and policy analysis, as well as in a broad range of financial management practices that have received state and national recognition for excellence in financial planning and reporting.

His work ranges from San Luis Obispo (the city that Oprah Winfrey calls the “Happiest City in America”) to volunteer service helping the troubled City of Bell reform their government.

### SENIOR FINANCIAL MANAGEMENT EXPERIENCE

Bill Statler has over 30 years of years of senior financial management experience, which included serving as the Director of Finance & Information Technology/City Treasurer for the City of San Luis Obispo for 22 years and as the Finance Officer for the City of Simi Valley for 10 years before that.

Under his leadership, the City of San Luis Obispo received national recognition for its financial planning and reporting systems, including:

- Award for Distinguished Budget Presentation from the Government Finance Officers Association of the United States and Canada (GFOA), with special recognition as an outstanding policy document, financial plan and communications device. *San Luis Obispo is one of only a handful of cities in the nation to receive this special recognition.*
- Awards for excellence in budgeting from the California Society of Municipal Finance Officers (CSMFO) in all four of its award budget categories: innovation, public communications, operating budgeting and capital budgeting. *Again, San Luis Obispo is among a handful of cities in the State to earn recognition in all four of these categories.*
- Awards for excellence in financial reporting from both the GFOA and CSMFO for the City’s comprehensive annual financial reports.
- Recognition of the City’s financial management policies as “best practices” by the National Advisory Council on State and Local Budgeting.

The financial strategies, policies and programs he developed and implemented resulted in strengthened community services and an aggressive program of infrastructure and facility improvements, while at the same time preserving the City’s long-term fiscal health.

### CONSULTING AND INTERIM ASSIGNMENTS

#### Long-Term Financial Plans

- City of Salinas
- City of Camarillo
- City of Carpinteria
- City of Pismo Beach

## CONSULTANT BACKGROUND

- City of Grover Beach
- City of Twentynine Palms
- City of Bell
- Bear Valley Community Services District

### **Strategic Planning and Council Goal-Setting**

*In collaboration with the HSM Team*

- City of Monrovia
- City of Sanger
- City of Pismo Beach
- City of Bell (Pro Bono)
- City of Willits

### **Organizational Analysis and Policy Advice**

- Financial Management Advice During Finance Director Transition: City of Monterey
- Organizational Review (Plans/Public Works and Community Services): City of Monterey
- Finance Organizational Review: Ventura Regional Sanitation District
- Benchmark Analysis: City of Capitola
- Financial Management Improvements: City of Capitola
- Organizational Review: City of Willits (in collaboration with the HSM Team)
- Finance Division Organizational Review: Sacramento Metropolitan Fire District
- Finance Department Organizational Review: City of Ceres (in collaboration with national consulting firm)
- Financial Management Transition Team and Policy Advice: City of Bell (Pro Bono)
- Preparation for Possible Revenue Ballot Measure: City of Monterey
- Fund Accounting Review: State Bar of California
- Construction Project Contracting Review: Central Contra Costa Sanitary District
- Focused Financial Review: City of Watsonville
- Financial Assessment: City of Guadalupe
- Financial Condition Assessment: City of Grover Beach
- General Fund Reserve Policy: City of Los Gatos
- General Fund Reserve Policy: City of Pacific Grove
- General Fund Reserve Policy: City of Twentynine Palms
- General Fund Reserve Policy: City of Lompoc
- General Fund Reserve Policy: City of Willits
- Reserve Policy: State Bar of California
- Budget and Fiscal Policies: City of Santa Fe Springs

## CONSULTANT BACKGROUND

### Interim Finance Director

- City of Monterey
- San Diego County Water Authority
- City of Capitola

### Other Financial Management Services

- Revenue Options Study: Santa Clara Valley Water District
- Revenue Options Study: City of Greenfield
- Revenue Options Study: City of Pismo Beach
- Cost Allocation Plan: City of Greenfield
- Cost Allocation Plan: City of Guadalupe
- Cost Allocation Plan: City of Port Hueneme
- Cost Allocation Plan: City of Grover Beach
- Cost Allocation Plan Review: State Bar of California
- Cost Allocation Plan Review: City of Ukiah
- Disciplinary Proceedings Cost Recovery Review: State Bar of California
- Water and Sewer Rate Reviews: Avila Beach Community Services District
- Water and Sewer Rate Reviews: City of Grover Beach
- Solid Waste Rate Review: County of San Luis Obispo, Los Osos and North County Areas
- Joint Solid Waste Rate Review: Cities of Arroyo Grande, Grover Beach, Pismo Beach and Oceano Community Services District

### PROFESSIONAL LEADERSHIP

- Member, Board of Directors, League of California Cities (League): 2008 to 2010
- Member, California Committee on Municipal Accounting: 2007 to 2010
- Member, GFOA Budget and Fiscal Policy Committee: 2005 to 2009
- President, League Fiscal Officers Department: 2002 and 2003
- President, CSMFO: 2001
- Member, Board of Directors, CSMFO: 1997 to 2001
- Chair, CSMFO Task Force on “GASB 34” Implementation
- Fiscal Officers Representative on League Policy Committees: Community Services, Administrative Services and Environmental Quality: 1992 to 1998
- Chair, Vice-Chair and Senior Advisor for CSMFO Committees: Technology, Debt, Career Development, Professional and Technical Standards and Annual Seminar Committees: 1995 to 2010
- Member, League Proposition 218 Implementation Guide Task Force
- Chair, CSMFO Central Coast Chapter: 1994 to 1996

## CONSULTANT BACKGROUND

### TRAINER

- League of California Cities
- Institute for Local Government
- California Debt and Investment Advisory Commission
- Government Finance Officers Association of the United States and Canada
- California Society of Municipal Finance Officers
- Municipal Management Assistants of Southern California and Northern California
- National Federation of Municipal Analysts
- Probation Business Manager's Association
- Humboldt County
- California Association of Local Agency Formation Commissions
- American Planning Association

### Topics included:

- Long-Term Financial Planning
- The Power of Fiscal Policies
- Financial Analysis and Reporting
- Fiscal Health Contingency Planning
- Effective Project Management
- Providing Great Customer Service in Internal Service Organizations: The Strategic Edge
- Strategies for Downsizing Finance Departments in Tough Fiscal Times
- Top-Ten Skills for Finance Officers
- Telling Your Fiscal Story: Tips on Making Effective Presentations
- What Happened in the City of Bell and What We Can Learn from It
- Multi-Year Budgeting
- Top Challenges Facing Local Government Finance Officers
- Fiscalization of Land Use
- Debt Management
- Transparency in Financial Management: Meaningfully Community Involvement in the Budget Process
- Financial Management for Non-Financial Managers
- Preparing for Successful Revenue Ballot Measures
- Integrating Goal-Setting and the Budget Process
- Financial Management for Elected Officials
- 12-Step Program for Recovery from Fiscal Distress
- Strategies for Strengthening Organizational Effectiveness
- Budgeting for Success Among Uncertainty: Preparing for the Next Downturn

## CONSULTANT BACKGROUND

### PUBLICATIONS

- *Guide to Local Government Finance in California*, Solano Press, Second Edition, 2017 (Co-Author)
- *Setting Reserve Policies – and Living Within Them*, CSMFO Magazine, May 2017
- *Presenting the Budget to Your Constituents*, CSMFO Magazine, July 2016
- *Planning for Fiscal Recovery*, Government Finance Review, February 2014
- *Managing Debt Capacity: Taking a Policy-Based Approach to Protecting Long-Term Fiscal Health*, Government Finance Review, August 2011
- *Fees in a Post-Proposition 218 World*, League of California Cities, District Attorney's Department Spring Conference, May 2010
- *Municipal Fiscal Health Contingency Planning*, Western City Magazine, November 2009
- *Understanding the Basics of County and City Revenue*, Institute for Local Government, 2008 (Contributor)
- *Financial Management for Elected Officials*, Institute for Local Government, 2010 (Contributor)
- *Getting the Most Out of Your City's Current Revenues: Sound Fiscal Policies Ensure Higher Cost Recovery for Cities*, Western City Magazine, November 2003
- *Local Government Revenue Diversification, Fiscal Balance/Fiscal Share and Sustainability*, Institute for Local Government, November 2002 (Co-Author)
- *Why Is GASB 34 Such a Big Deal?*, Western City Magazine, November 2000
- *Understanding Sales Tax Issues*, Western Cities Magazine, June 1997
- *Proposition 218 Implementation Guide*, League of California Cities, 1997 (Contributor)

### HONORS AND AWARDS

- Cal-ICMA Ethical Hero Award (for service to the City of Bell)
- CSMFO Distinguished Service Award for Dedicated Service and Outstanding Contribution to the Municipal Finance Profession
- National Advisory Council on State and Local Government Budgeting: Recommended Best Practice (Fiscal Polices: User Fee Cost Recovery)

**CONSULTANT BACKGROUND**

- GFOA Award for Distinguished Budget Presentation: Special Recognition as an Outstanding Policy Document, Financial Plan and Communications Device
  - CSMFO Awards for Excellence in Operating Budget, Capital Improvement Plan, Budget Communication and Innovation in Budgeting
  - GFOA Award of Achievement for Excellence in Financial Reporting
  - CSMFO Certificate of Award for Outstanding Financial Reporting
  - National Management Association Silver Knight Award for Excellence in Leadership and Management
  - American Institute of Planners Award for Innovation in Planning
  - Graduated with Honors, University of California, Santa Barbara
- 

Visit my web site for additional information at [www.bstatler.com](http://www.bstatler.com)

