CITY OF FULLERTON ADOPTED REVISED BUDGET

FOR FISCAL YEAR 2012-13



Sharon Quirk Silva, Mayor

Pat McKinley, Mayor Pro Tem

Don Bankhead, Council Member

F. Richard Jones, Council Member

Bruce Whitaker, Council Member

Joe Felz, City Manager

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CITY OF FULLERTON ADOPTED REVISED BUDGET FISCAL YEAR 2012-13

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OFFICE OF THE CITY MANAGER

303 W. Commonwealth Avenue, Fullerton, CA 92832-1775

Telephone 714.738.6521 Facsimile 714.738.6758 Web site: www.ci.Fullerton.ca.us

May 16, 2012

The Honorable City Council Fullerton, California

RE: ADOPTED REVISED BUDGET FOR FISCAL YEAR 2012-13

Submitted herewith is the Adopted Revised Budget for the 2012-13 fiscal year. It contains some notable changes and will require policy decisions to be made throughout the year.

The most significant change to the Revised Budget is the elimination of the Redevelopment Agency. While \$10.6 million is included for debt service payments and the operation of the Successor Agency, the remaining \$8 million formerly budgeted for economic development and community infrastructure improvements is gone. The shift of Agency staff and some minor maintenance costs to the City are reflected throughout this budget. It is assumed that the Low Mod Housing operation will continue pending the State Legislature's decision.

Another notable change is the elimination of the water franchise fee of \$2.5 million to the General Fund. In its place are two newly proposed "cost of service" fees - a Property Lease fee and a Right of Way Impact fee. Both fees are discussed in detail on the following pages.

Budget Highlights

Revenues budgeted for the City of Fullerton in 2012-13 total \$165.4 million. Appropriations for the City's operating budget total \$165.2 million, including \$24.7 million of proposed revised projects in the Capital Improvement Plan. The projected fund balance in the General Operating Funds at June 30, 2013 is \$10 million, or 2.6% over the 10% reserve requirement.

General Operating Fund revenues are expected to slightly exceed budgeted amounts in 2011-12 due to higher than expected retail sales. However, while the economy is slowly rebounding, most revenue projections will remain flat as the housing market and development (both of which are still impacted by the recession) drive many of our

revenue sources. Total revenue and transfers in for the General Operating Funds in 2012-13 is projected to be \$73.2 million, or 3.6% over the current fiscal year.

Of that total, nearly \$2.2 million is comprised of the new fees proposed in-lieu of the water franchise fee. These fees were determined through a study conducted by the City's consultants MFSG Inc. and were validated by special counsel Best, Best & Krieger. The Property Lease fee of \$1.4 million is proposed to replace the portion of franchise fee that represented use of the land through lease payments. determined that properties acquired by the City prior to the formation of the Water Enterprise Fund may be leased back to the Water Fund. This would also include lease of City Hall space and the Maintenance Yard. The Right of Way Impact fee is proposed to replace the portion of the franchise fee that represented the cost of repairs from damage to City streets caused by improvements made to the water and sewer utility infrastructure. The budgeted amount of \$763,000 contains a one-time reimbursement of \$500,000 from the sewer fund for the past three years. In future years, the annual amount of this revenue source from the water and sewer funds will be approximately \$263,000. These proposed fees have been included in the budget as a placeholder while the Water Ad Hoc Committee reviews various alternatives. As such, they will not be submitted for Council approval unless recommended by the Committee. Depending on the amount, if any, of a "cost of service" fee, staff will propose an equal amount of budget reductions in staffing and services to compensate for this loss of revenue.

Other proposed increases to revenue include:

- New recycling fee revenues per the MG Disposal contract (\$250,000)
- Increased revenue identified through audit of MG Disposal contract (\$145,000)
- Library Café lease (\$8,400)
- Operating lease of Tennis Center (\$50,000)
- New revenue from CNG fuel station (\$20,000)
- Outdoor dining fees (\$20,000)
- Potential new revenue from citywide fee study (\$50,000)
- Revenue from additional communications leases (\$10,000)

General Operating Funds appropriations are budgeted at \$73.0 million in 2012-13. Over the past few years the General Operating Funds budget has been reduced by nearly 10% to align expenditures with reduced revenues. Recent cost-cutting measures have included:

- employee compensation reductions for current staff and new-hires
- elimination of 59 full-time employees through layoffs and attrition
- cuts to services and programs of up to 20% in some departments
- contractual changes such as the Brea Fire Management merger
- savings from reorganization of the Community Development, Engineering and Maintenance, and Parks and Recreation departments

While the savings achieved had been higher, the City has incurred additional costs as a result of the loss of redevelopment. To prevent using reserves to balance the budget additional cost saving measures were incorporated into the General Operating Fund budget including:

- Additional cost savings in Fire budget, including the full implementation of the Brea Fire Management contract (\$130,000)
- Reduction in Police overtime from department reorganization (\$100,000)
- Reduction in budgeted contract costs for FY 2012-13 (legal, animal control, graffiti, custodial - \$260,000)
- Reduction in costs from consolidation with Orange County Parks for Tri-City Park operation (\$70,000)
- Savings from suspension of the Employee Awards program (\$80,000)
- Savings from unfunding vacant staff positions (\$215,000)
- Savings in electricity costs from solar panels at Library (\$25,000)

Changes in budgeted positions are also incorporated into this budget. Staffing shifts resulting from the dissolution of redevelopment are reflected in fiscal year 2011-12. Proposed changes in 2012-13 reflect a total decrease of 4.7 FTE's as follows:

- The Administrative Services Department proposes to increase the Webmaster from .70 to 1.0 to accommodate the increase in demand for information on the City's website for a net gain of 0.3 FTE's;
- The Maintenance Services Department proposes the addition of a Senior Maintenance Worker and a Maintenance Worker position for the maintenance of the new Community Center for a gain of 2.0 FTE's;
- A reduction in Parks & Recreation of two Recreation Managers and one Recreation Coordinator for a reduction of 3.0 FTE's
- Unfunding of the vacant Parks and Recreation Trails Coordinator
- Unfunding of the vacant Administrative Analyst II position in Maintenance Services
- Unfunding of two Battalion Chief positions due to the merger with the City of Brea for Fire Management services
- Unfunding of the Assistant to the City Manager position due to a reorganization in the City Manager's office
- Increase of one Police Officer to be funded by Asset Seizure funds

Capital Improvement Budget

The proposed Capital Improvement Plan (CIP) budget of \$24.7 million represents a combination of new and revised projects. This amount does not include carryovers for projects in-progress.

A summary of proposed projects is as follows:

- Bridge improvements \$18,220,931
- Streets and signals \$4,157,000
- Traffic Signals/Street Lighting \$1,829,800
- Parks \$90,000
- Housing & Community Development \$396,360
- Water system \$50,000

Conclusion

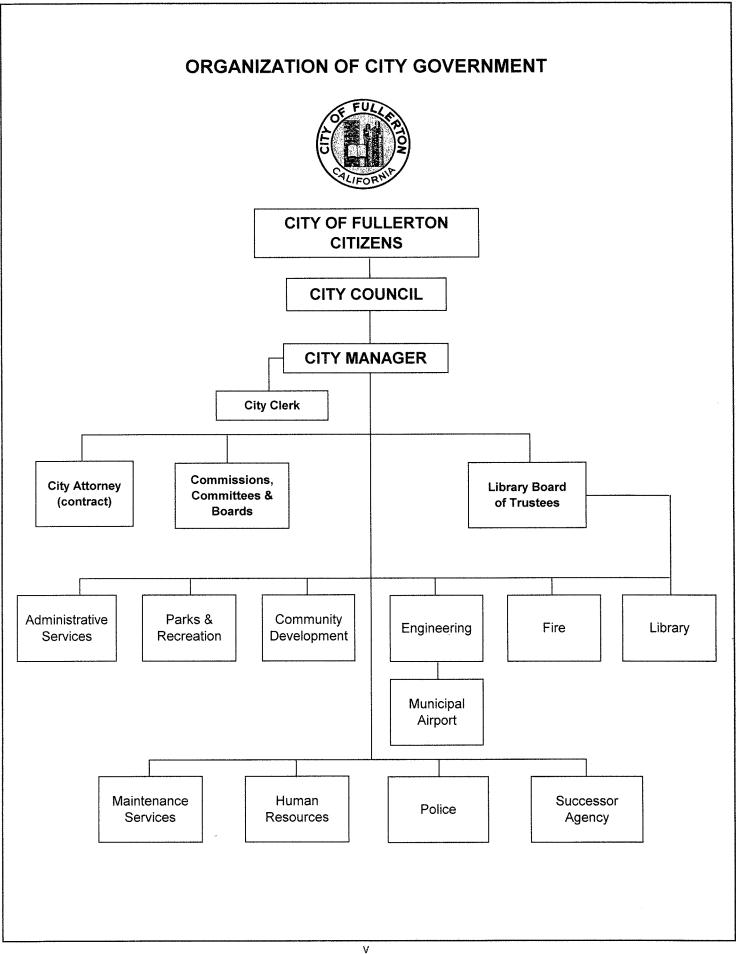
While this Adopted Budget reflects encouraging signs of a recovering economy, expenditures continue to outpace revenues in the General Operating Funds. This budget contains some proposed revenues that may not materialize. If so, staff will propose staffing and service reductions to further reduce costs.

The City management team is implementing both short-term and long-term strategies to maintain a 10% reserve and structurally change operations to insure the City is fiscally sound in the future. Clearly, the coming year provides many challenges but also many opportunities to increase efficiencies of service and generate new revenues. As we move forward and face difficult decisions, I thank the City Council for your continued support as we strive to solidify Fullerton's financial future.

Respectfully submitted,

City Manager

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RESOLUTION NO. 2012-35

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING AND ADOPTING THE REVISED BUDGET FOR FISCAL YEAR 2012-13 AND APPROPRIATING THE FUNDS NECESSARY TO MEET THE EXPENDITURES SET FORTH THEREIN

THE CITY COUNCIL OF THE CITY OF FULLERTON HEREBY RESOLVES AS FOLLOWS:

WHEREAS, the City Manager of the City of Fullerton, in conformity with Section 2.09.150 of the Fullerton Municipal Code, has submitted to the Fullerton City Council a Proposed Operating Budget and Capital Improvement Program for fiscal year 2012-13 in the amount of \$165,241,683; and

WHEREAS, the Fullerton City Council has considered said budget and held a public hearing on May 1, 2012, relative to its adoption; and

WHEREAS, such hearings were duly noticed and included input from the residential and business community in the City of Fullerton.

NOW, THEREFORE, BE IT RESOLVED by the Fullerton City Council:

Section 1. The budget for fiscal year 2012-13 is hereby approved and adopted in the amount of \$165,241,683 and shall include and incorporate any outstanding encumbrances carried forward from the 2011-12 fiscal year.

<u>Section 2</u>. The Capital Improvement Program for fiscal year 2012-13 is hereby amended and will include and reappropriate all encumbered projects-in-progress carried forward from the 2011-12 fiscal year.

ADOPTED BY THE FULLERTON CITY COUNCIL ON MAY 15, 2012.

Sharon Quirk-Silva Sharon Quirk-Silva, Mayor

Lucinda Williams, Secretary

ATTEST:

May 17, 2012

City of Fullerton RESOLUTION CERTIFICATION

STATE OF CALIFORNIA)	
COUNTY OF ORANGE)	SS
CITY OF FULLERTON)	
RESOLUTION NO. 2012-35	

I, Lucinda Williams, City Clerk and ex-officio Clerk of the City Council of the City of Fullerton, California, hereby certify that the whole number of the members of the City Council of the City of Fullerton is five; and that the City Council adopted the above and foregoing **Resolution No. 2012-35** at a regular meeting of the City Council held on the **May 15, 2012** by the following vote:

COUNCIL MEMBER AYES:

Quirk-Silva, McKinley, Bankhead, Jones

COUNCIL MEMBER NOES:

Whitaker

COUNCIL MEMBER ABSTAINED:

None

COUNCIL MEMBER ABSENT:

None

Lucinda Williams, MMC

City Clerk

