DATE: May 22, 2014
TO: City Council
FROM: James Cameron Chief Financial Officer

SUBJECT: Fiscal Year 2014-15 Recommended Budget Study Session

RECOMMENDATION

That City Council hold a study session on the recommended budget for Fiscal Year (FY) 2014-15.

DISCUSSION

On May 20, 2014, the City Council received a presentation on the recommended budget for FY 2014-15. City Council discussed many aspects of the budget including the cash shortfalls in the Golf and Performing Arts and Convention Center (PACC) funds, prioritizing City programs, and rebuilding the General Fund Operating Reserve (Unassigned General Fund Balance). In addition, City Council approved the budget calendar including a June 10 Public Hearing and June 17 adoption.

Golf and PACC Funding

While all members of the City Council agreed the Golf and PACC funds were a concern, addressing those issues for this budget would be difficult without significantly impacting other programs. In June, the City will conduct a study of Golf operations and alternatives for addressing the funding shortfall. Regarding the PACC, the City is in the process of preparing for recruitment of an interim manager to evaluate opportunities to make the PACC a sustainable venue for performing arts. In addition, an education committee has been established that among other goals, is looking at opportunities to develop a performing arts school at the PACC.

Prioritizing Programs

Priority Based Budgeting (PPB) was discussed in response to the need for prioritizing programs to ensure that resources were used where needed most. PBB begins with establishing community priorities and specific strategies to support those priorities. Because of the time required to develop an effective community process, it would not be possible to incorporate PBB in the FY 2014-15 budget. As an alternative City Council may wish to commit to starting the PBB process in September of 2014 for the
FY 2015-16 and 2016-17 two-year budget. A community process could be held in the fall and based on the results of the community process, City Council would be in a position to approve the final priorities and strategies by November of 2014. This would provide a basis for evaluating and scoring programs and developing performance indicators for City Council review and adoption. Part of this process would involve identifying service efficiencies and innovations.

**General Fund Operating Reserve**

Finally, staff was asked to identify opportunities for increasing the General Fund Operating Reserve which is reported in the Comprehensive Annual Financial Report (CAFR) as the unassigned fund balance. The best approach to addressing this issue is to make it a part of the PBB process; however, the City does have an opportunity to commit to the operating reserve the annual repayment of loans originally made to the former Community Development Commission. Repayment of these loans have now been approved by both the Oversight Board and the California Department of Finance. While the total amount of the repayment is under review the first payment in the amount of $962,326 has been approved and will be made in FY 2014-15. City Council has the option of depositing this and future repayments for the purpose of replenishing the operating reserve.

**FINANCIAL IMPACT**

Because this item is for discussion purposes only, there is no financial impact.