CONSIDER STAFF’S RECOMMENDATIONS REGARDING THE USE OF ONE-TIME SUCCESSOR AGENCY LOAN PROCEEDS

Presenter:
Joseph Lillio, Chief Financial Officer

January 12, 2016
ONE-TIME SUCCESSOR AGENCY LOAN PROCEEDS PRESENTATION OUTLINE

1. History of Successor agency loan proceeds

2. Recap of City Council approved use of one-time funds

3. Recommendations for remaining funds

4. Next Steps & Recommendation
History

- Funds from the General Fund were originally loaned to the Redevelopment Agency in 1986 as part of the “Central City Revitalization Project”

- $3,502,934 received in July 2015 for FY 2015-16

- Placed in General Fund Reserve
RECAP OF CITY COUNCIL APPROVAL TO DATE OF ONE-TIME SUCCESSOR AGENCY LOAN PROCEEDS
### FY 2015-2016 Previously Approved Funding

<table>
<thead>
<tr>
<th>Use of One-Time Funds</th>
<th>City Council Meeting Date</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Negotiations</td>
<td>November 17, 2015</td>
<td>$177,444</td>
</tr>
<tr>
<td>Internal Audit Phase I</td>
<td>December 8, 2015</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Total Approved:</strong></td>
<td></td>
<td><strong>$277,444</strong></td>
</tr>
<tr>
<td>One-Time Successor Agency Loan Proceeds</td>
<td></td>
<td><strong>$3,502,934</strong></td>
</tr>
<tr>
<td>Less approved use</td>
<td></td>
<td>-$277,444</td>
</tr>
<tr>
<td><strong>Total Funds Remaining in General Fund ‘Lockbox’ Reserve</strong></td>
<td></td>
<td><strong>$3,225,490</strong></td>
</tr>
</tbody>
</table>
RECOMMENDATIONS FOR USE OF REMAINING ONE-TIME SUCCESSOR AGENCY LOAN PROCEEDS
# Recommended Additional Use of One-Time Revenue

<table>
<thead>
<tr>
<th>Use of One-Time Revenue Recommendations</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Assessment Related Costs</td>
<td>$507,000</td>
</tr>
<tr>
<td>- Implementation of Projects from the IT Master Plan Phase I - $427k</td>
<td></td>
</tr>
<tr>
<td>- Class and Comp Study Phase I - $50k</td>
<td></td>
</tr>
<tr>
<td>- Worker’s Comp Audit - $15k</td>
<td></td>
</tr>
<tr>
<td>- Fleet Management Review and Study - $15k</td>
<td></td>
</tr>
<tr>
<td>Professional Legal Assistance with IRS Audit</td>
<td>$25,000</td>
</tr>
<tr>
<td>Development of the FY 16-17 Budget (Priority Based) &amp; Augmentation of Finance Staff</td>
<td>$175,000</td>
</tr>
<tr>
<td>Current Building Maintenance and Repair</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Subtotal of Use of One-Time Revenue:</strong></td>
<td><strong>$807,000</strong></td>
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</table>
Recommendation 24 of Six Month Plan (Priority 1A):
P1A-24 Develop an Information Technology Master Plan with a funding plan to effectuate timely replacement of information technology assets. ITMP Recommendation 4-1.

Recommendation 14 of Six Month Plan (Priority 1A):
P1A-14 Ensure the full functionality of the purchasing technology system is addressed as a component of the NexLevel review. ITMP Project Recommendation N-12 & N19. See ERP Analysis for details.
- Priority 1: ERP System Assessment
- Priority 2: Citywide Time and Attendance System
- Priority 3: Contract and Insurance Certificate Management
- Priority 4: Email Evaluation/Consolidation/Google Vault
- Priority 5: Utility Billing Enhancements/Remote Credit Card Processing
ERP System Assessment

- ERP = Enterprise Resource Planning
- Provides a central tool for financial resource management
- $172K needed Year 1: ERP System assessment
- Estimated at $8 million total implementation costs (Phased In)
Citywide Time and Attendance System

❖ To automate time tracking
❖ Will Create Efficiencies
❖ Eliminates Human Error
❖ Eliminate paper timesheets
❖ $95K to implement
Contract and Insurance Certificate Management

❖ For a computerized system for contract and insurance certificate management
❖ Will aid transparency
❖ $95K to implement
Email Evaluation and Consolidation

- Google Vault Licenses
- Meets email retention best practices
- $65K yearly maintenance cost
Utility Billing Enhancements and Remote Credit Card Processing

❖ To provide paperless billing, electronic auto-pay, ability to email bills, acceptance of credit cards at remote locations and payment kiosks
❖ Will improve billing efficiency and payment processing
❖ $95K to implement
The remaining ITMP projects will be included in a five-year CIP plan during the 2016/2017 budget development process.
**Recommendation 17 of One Year IAP (Priority 1B):**
Allocate workers Compensation costs as a fixed cost, rather than using payroll

**Recommendation 43 of One Year IAP (Priority 1B):**
Review the condition of the Workers’ Compensation Fund and its expected operating results for this fiscal year

**Recommendation 64 of One Year IAP (Priority 1B):**
Develop consistent policies and practices for compensation practices among bargaining units.

**Recommendation 73 of One Year IAP (Priority 1B):**
Conduct an independent audit of the workers compensation program to improve practices and identify ways to reducing costs
HUMAN RESOURCES

Class & Comp Study Phase 1 - $50k

Worker’s Comp Audit - $15k
Recommendation 18 of Three Year IAP (Priority 2):
Conduct a comprehensive fleet management review to increase efficiencies and cost savings
Fleet Management Review & Study - $15 K
Will Result in Ongoing Cost Savings
• Professional legal assistance with the IRS audit is estimated at $25k
  
  • Professional firm that has experienced tax attorneys and CPAs that specialize in federal tax issues
RECOMMENDED ADDITIONAL USE OF ONE-TIME REVENUE

• Development of the FY 2016-17 Budget (Priority Based) & Finance Staff Augmentation- $175k
  • Provide expert advice and assistance regarding the upcoming budget and other budgetary and financial priorities and issues.
  • Providing financial planning and analysis as well as strategic and business planning.
• Building Maintenance & Repair - $100k
  
  • Allocate $100k to the repair & maintenance of City buildings
    • Priority examples are: needed roof repairs to prevent water damage from the potential El Nino rains & HVAC repairs
### SUMMARY OF RECOMMENDED USE OF ONE-TIME REVENUE

#### APPROVED USE OF ONE-TIME FUNDS

<table>
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<th>Description</th>
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#### USE OF ONE-TIME REVENUE RECOMMENDATIONS

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**Total of Approved & Recommended One-Time Use of Revenue:** $1,084,444

Remaining in General Fund Reserve $2,418,490
NEXT STEPS
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• Staff will return to Council on February 9, 2016 with a budget adjustment request in the amount of $807,000 during the Mid-Year budget discussion;

• The remaining balance of $2,418,490 will remain in the General Fund Reserve fund until further Council discussion
• Funding for IT Master Plan Recommendations for years 2-4
• Additional Funding for Organizational Assessment Implementation Recommendations;
• Does not consider full funding of the Internal Service Funds for….
  • Vehicle Replacement;
  • Equipment Replacement; &
  • Building Replacement
• IRS potential liability resulting from current ongoing audit
**Staff Request Council Approval of Recommendations to Use a Portion of the One-Time Funds Received from Successor Agency Loan Payment**