

CITY OF SALINAS



ADOPTED BUDGETS

**OPERATING
and
CAPITAL IMPROVEMENT**

FY 2004 - 2006



CITY OF SALINAS

Adopted Budgets Operating and CIP 2004 - 2006



Anna Caballero
Mayor

Sergio Sanchez
Councilmember
District 1

Gloria De La Rosa
Councilmember
District 4

Roberto Ocampo
Councilmember
District 2

Maria Giuriato
Councilmember
District 5

Janet Barnes
Councilmember
District 3

Jyl Lutes
Councilmember
District 6

Dave Mora
City Manager

Richard E Nosky
City Attorney

Daniel Ortega
Police Chief

Director of Redevelopment

Rob Russell
Deputy City Manager

Fire Chief

Tom Kever
Director of Finance

Julia Orozco
Library Director

Jorge Rifa
Deputy City Manager

CITY OF SALINAS

Organization Chart

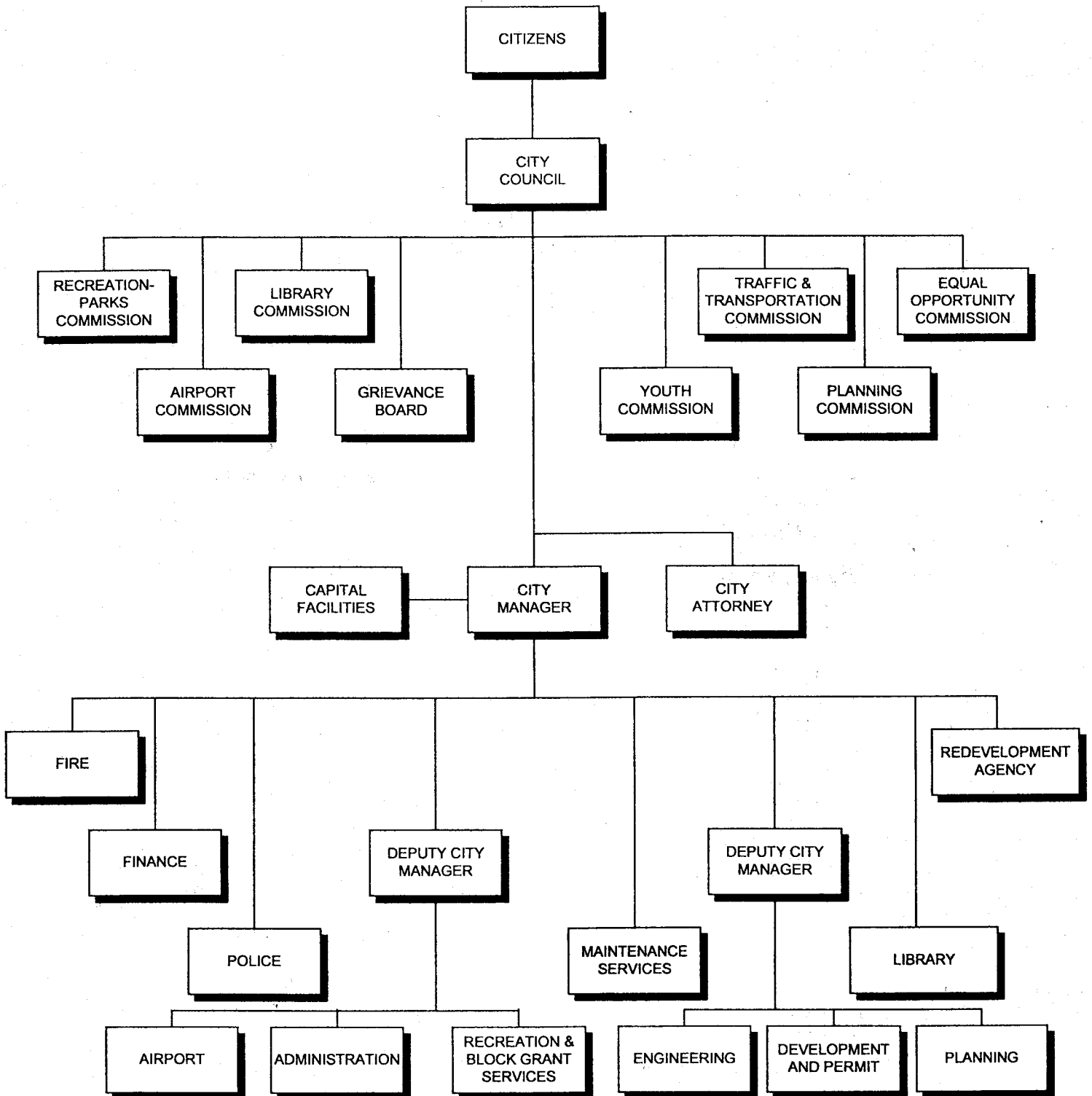


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MEMORANDUM

DATE: June 8, 2004
TO: Mayor and City Council
FROM: Dave Mora, City Manager
SUBJECT: FY 2004-05 / 2005-2006 RECOMMENDED BUDGET

Introduction

On June 15, the City Council will review and consider adoption of the recommended FY 2004-05/ FY 2005-06 budget for the City of Salinas and the Salinas Redevelopment Agency. This two-year budget submittal continues the City's efforts to provide longer term financial information regarding services to City residents and the revenues required to provide those services. Although the City Council will focus on the first year for purposes of formally adopting a services plan, the second year information and estimates provides a snapshot of the future that is critical as the City attempts to survive the current financial crisis impacting California local government. The FY 2005-06 portion of the budget is significantly out of balance with an estimated deficit of \$8.5 million. The City Council is not being asked to consider that deficit at this time. However, it is staff's intent to ask Council to begin a review of the FY 2005-06 issues as early as September 2004.

If it seems that the City's budget has been under discussion for a number of months, it has. The City Council, beginning in April 2003, has been in an almost constant discussion of financial issues. These discussions began in earnest with the adoption of a multi-year strategy in April 2003, then continued with the adoption of an FY 2003-04 budget inclusive of \$2.5+ million in service reductions, in-depth discussions in October, November, and December of last year resulting in decisions in January 2004 to reduce General Fund operations by \$3.6 million, and almost weekly updates since then describing the continuing crisis in local government finance in California. Over this period of time, the overall situation has unfortunately only become worse because of the continuing economic downturn and actions taken by the State of California and the County of Monterey.

The formal adoption of the FY 2004-05 budget should actually be somewhat anticlimactic. The document submitted with this cover message is actually a description of a "status quo" level of services developed inclusive of the FY 2004-05 reductions approved by the City Council in January 2004. This document does not reflect the recommendations that will be the focus of the City Council's review and discussion during the next couple of weeks. A separate document outlines \$2.4 million in required General Fund service reductions, which must be approved by City Council in order to maintain the financial integrity for the City. The combination of forces – a weak economy, increases in retirement and health costs, continued and increasing State takeaways from local government, and increasing charges for services from the County of Monterey – has resulted in the need to further reduce the City's General Fund supported services.

Following City Council action approving required reductions, the City's budget document will be amended to reflect the results of this third round of General Fund service reductions. With that in mind, the document submitted with this memorandum is not one that staff is recommending be the focus of the City Council's discussions. The programs and expenditures detailed herein are critical to the provision of services to City residents; however, the tough decisions that need to be made are in reality what will be removed from this document when it is finally published.

Financial Condition

Even after cumulative General Fund service level and budget reductions in excess of \$6 million, the estimated FY 2004-05 General Fund deficit is \$2.4 million and the estimated FY 2005-06 General Fund deficit is in excess of \$8.5 million. The FY 2004-05 deficit requires immediate attention. The projected deficit is based on some actions still under consideration including at least \$1,000,000 in additional revenue from a Business License Tax increase (part of the original financial strategy), approximately \$150,000 in towing fee related revenue, and \$65,000 in administration fees to the City's Deferred Compensation Trust Deed program.

This somewhat desperate financial condition is not a surprise. It was, unfortunately, well forecasted and known over one year ago. The causes are literally beyond the control of the City and its residents. Given the circumstance of outside influences (economic factors, the State, and the County), the City's ability to provide adequate levels of basic services to residents is in doubt unless additional resources are provided. Fortunately, City residents will have an opportunity to decide fundamental quality of life issues in November 2004 with three specific proposals to increase City General Fund revenue. The specifics of the Utility Tax, Business License Tax, and local sales tax were actually initiated by the City's business community. The Salinas Valley Chamber of Commerce and the Growers Shippers Association of Central California are both advocating these tax increases that will primarily impact the business community.

Without these additional revenues, the City's General Fund resources per capita will not keep pace with even minimum CPI growth much less population growth in Salinas. Current General Fund resources will grow an estimated 1.6% between FY 2002-03 and FY 2005-04. The State Department of Finance estimates that the City's population will grow at least 4.1% during that same period.

<u>Fiscal Year</u>	<u>Est. Population (Dept of Finance)</u>	<u>General Fund Revenue/Capita</u>
FY 2002-03	148,425	\$414
FY 2003-04	149,710	\$406
FY 2004-05	152,209*	\$414
FY 2005-06	154,500*	\$421

* Estimated