

**SPECIAL JOINT MEETING
CITY OF ENCINITAS
SAN DIEGUITO WATER DISTRICT
AGENDA REPORT
Meeting Date: April 28, 2010**

TO: City Council

VIA: Phil Cotton, City Manager

FROM: Jennifer H. Smith, Director of Finance
Contributions from All Departments

SUBJECT:

Presentation of Draft Fiscal Year (FY) 2010-11 Operating Budget (“Second Year Revise”) and Update of Remaining Five Years of the Six-Year Financial Plan and Capital Improvement Program: FY2010-11 through FY2014-15

BACKGROUND:

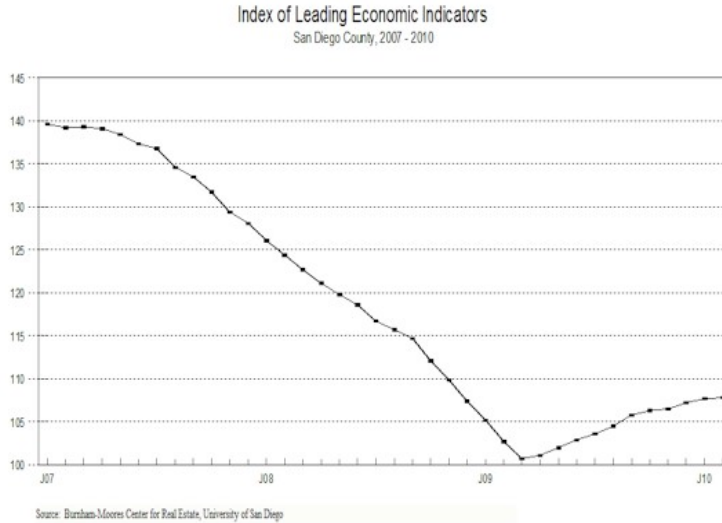
Council adopts a two year operating budget and six year financial plan and capital improvement program. On May 20, 2009, Council approved the FY2009-10 and FY2010-11 Biennial Operating Budget and Six-Year Financial Plan with appropriations for FY2009-10. On November 18, 2009, Council approved the revised beginning fund balances for FY2009-10 (current year) following the completion of the financial audit for FY2008-09. On February 17, 2010, Council conducted a mid-year budget review.

Attached are proposed revisions to the second year of the two year budget (“Second Year Revise”) and an update of the remaining five years of the financial plan (long-range forecast) and Capital Improvement Program (CIP).

ECONOMIC ANALYSIS:

Significant Economic Impacts

Leading economic indicators show signs that the nation may be recovering from the worst economy since the Great Depression. According to the Index of Leading Economic Indicators for San Diego County, the regional economy has been slowly climbing out of the economic freefall that began in 2006. After unprecedented volatility over the last couple of years, the economy appears to have “settled down.” The outlook remains positive, but with slow growth in the year ahead. Growth will likely be tentative, uneven, and with possible setbacks. The vulnerable state economy and their budget problems will add another layer of uncertainty to the City’s fiscal outlook.

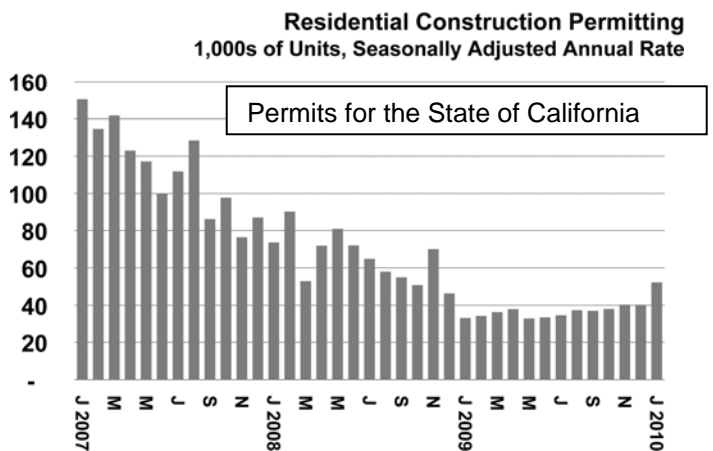


The U.S. unemployment rate is 9.7%, the California rate is 12.5% (the highest since the Great Depression) and the San Diego County rate is 10.1%. The rebound in employment which was expected for early-mid 2010 has yet to materialize.

Consumer confidence remains low. According to Lynn Franco, Director of The Conference Board Consumer Research Center, "Consumers continue to express concern about current business and labor market conditions. And, their outlook for the next six months is still rather pessimistic. Overall, consumer confidence levels have not changed significantly since last spring." In San Diego County, consumer confidence hit a plateau after rebounding sharply from an all-time low in March 2009, as local consumers wait for better news on the employment front. This measure is important because consumer spending is typically two-thirds of economic activity and low consumer confidence typically translates into lower sales tax revenue.

Development activity appears to be picking up slightly. Statewide, the pace of residential construction improved on a year-over-year basis for the first time in nearly four years. Residential permits issued were up over 57% from a year earlier. In San Diego County, January and February of 2009 were the two worst months ever for development as measured by residential building permits authorized. February 2009 had the lowest recorded number of building permits issued in a single month and the number of residential units authorized in January and February combined was down 78% compared to the first two months of 2008. The first two months of 2010 have not been high by historical standards, but were more than triple than they were the same period in the prior year. Development activity for the City of Encinitas has slowed considerably in the past two years, but appears to be picking up

Home Building Picks Up With New Year



slightly in the current year. Year-to-date, the City has received 106 discretionary applications, as opposed to 100 at the same time last year and the Planning Commission/City Council have reviewed 35 applications, as opposed to 27 at the same time last year. The biggest increases in activity have been for certificates of compliance, minor use permits and amendments/extensions to major use permits.

The housing market is showing some signs of recovery. At the State level, the number of homes (new and resale houses and condos) sold in February 2010 was 28,111, compared to an average of 32,325 and up 0.9% from January 2010. The median price of a home was \$249,000, up 0.8% from January and 11.2% from February a year ago. The year-over-year increase was the fourth in a row, following 27 months of year-over-year declines. The median peaked at \$484,000 in early 2007 and hit a low of \$221,000 in April 2009. Of the existing homes sold in February, 44.3% were foreclosed on during the past year.

In Encinitas, the median price of a single family resale home in 2009 was \$688,250, down from \$730,000 in 2008. In February, the median price of a single family resale home in Encinitas was \$799,500 (based on 22 sales in the 92024 zip code).

Economic Outlook

In response to the fiscal crisis, the Federal Government has taken steps to ease the economic pain, including a nearly \$1 trillion stimulus package, an expansionary monetary policy, and a new program to help the banks. Given the current state of the economy, the financial markets are extremely volatile. Many economists agree that while we are working our way out of the recession, it will take several years to recover.

Adding to the uncertainty of the future is the State's apparent inability or refusal to deal with its fiscal problems. In an effort to reform the State's budgeting process and seal the February budget deal, Governor Schwarzenegger placed six measures on a special ballot agenda in May 2009. All, but one (denying pay increases to state elected officials when the state is running a deficit) were defeated by huge margins, signaling voters' frustration with the dysfunction in Sacramento. Despite multiple attempts to balance California's budget, the State can still expect to face shortfalls approaching \$20 billion during each of the next five years, according to a long-range forecast from the Legislature's nonpartisan budget analyst.

Taking into account all of the economic information presented, the financial plan assumes a steady, but slow and precarious recovery over the next five years.

IMPORTANT BUDGET HIGHLIGHTS

The Second Year Revise includes modifications to the originally adopted budget for FY2010-11, as described in detail in this staff report. The revised budget is balanced and maintains all of the Council directed reserves at or above optimal target levels. A fiscal realignment plan has been developed and implemented which includes a combination of cuts and cost savings to further cushion against the need to borrow from the budget stabilization reserve.

Despite the severe economic downturn, the City has been able to continue to maintain its highest priorities of ensuring public safety, maintaining core infrastructure and preserving critical services to

residents and businesses. This year, the City completed construction on Fire Station No. 3 and finalized designs for the construction of a new Fire Station No. 2. The repaving of Encinitas boulevard from Coast Hwy. 101 to Willowspring Avenue was completed on time and within budget. The City selected a design alternative for the beautification of N. Coast Hwy. 101 after an intensive public participation process and the City embarked on a General Plan Update which will shape the future of the community for years to come. Two local exaction projects have placed nearly 45,000 cubic yards of sand on our beaches and the City received the American Shore and Beach Preservation Association award for the best restored beach in the County. The City completed the Environmental Impact Report for the long awaited park on the 44-acre Hall Property site and will complete the final deconstruction of the buildings on the site this fiscal year; construction plans are currently underway. The crime rate is among the lowest in the County and the City has stepped up its level of fire protection while achieving savings in personnel costs by working with the Cities of Del Mar and Solana Beach and the Rancho Santa Fire Protection District to establish a Management Services Agreement in which the agencies share resources.

Years of prudent fiscal planning have positioned the City to continue to provide a high level service, while meeting the Council's strategic priorities.

Fiscal Realignment Plan

This year, in addition to the Zero-Based Budgeting Model, the City Manager implemented a one-time Fiscal Realignment Plan. Due to the precarious and volatile nature of the current economy, the one-time savings preserve the Budget Stabilization Reserve at 5% of operating revenues and guard against another economic downturn. The Fiscal Realignment Plan was developed by the City's dedicated team of analysts and reviewed by the Department Heads. It is a comprehensive approach of seeing organizational efficiencies rather than "across-the-board" cuts which can be arbitrary and may run counter to strategic priorities and goals. Attachment B, which discusses General Fund expenditures, outlines the Fiscal Realignment Plan in detail by Department.

FISCAL AND STAFF IMPACTS

General Fund

The General Fund is the City's largest and most discretionary fund. The General Funds two largest revenue sources are property taxes and sales taxes. Over the remaining five years of the six-year Financial Plan, the revised General Fund remains balanced, with a positive ending fund balance. The contingency reserve remains at 20% of operating expenditures and the Budget Stabilization Reserve is at 5% of operating revenues (Council's target level is 2%). A Fiscal Realignment Plan has been implemented to guard against use of the Budget Stabilization Reserve at this time and provide a cushion in the event of another economic downturn.

The long-term forecast includes the costs of implementing Council's highest priority goals and all debt service payments, all provision of contracts with labor unions, and full annual required contribution for Other Post Employment Benefits (GASB 45).

Revenues have been adjusted down from the original budget. General Fund revenues for **next fiscal year** are now estimated at \$50,252,301 (compared to the original budget of \$50,997,845). Property taxes which have increased every year since the City's incorporation are expected to flat-line this year.

And sales taxes which are projected to decrease by 13% in the current year over the prior fiscal year are projected to remain at this depressed level through FY2010-11.

However, there have been significant savings in expenditures. Operating expenditures for **next fiscal year** are now budgeted at \$45,827,113 (compared to the original budget of \$48,252,445). The Law Enforcement contract is down nearly 9% and a one-year Fiscal Realignment Plan includes a comprehensive package of \$778,000 in cost-savings measures.

The projected ending fund balance of the General Fund for FY2010-11 is \$14,715,784, which allows for a 20% contingency reserve, a 5% budget stabilization reserve, and project reserves of \$3.0 million.

San Dieguito Water District Funds

The San Dieguito Water District budget has been updated to incorporate the Water Rate Study adopted by Council in February 2010. Projected revenues are \$14,450,695; proposed expenditures are \$15,838,001 and capital projects, \$2,564,000. The projected ending fund balance for FY2010-11 is \$8,290,649. The ending fund balance allows for an Operating Cash Flow Reserve of \$1,518,825, a Capital Replacement Reserve of \$5,674,362 and a Rate Stabilization Reserve of \$1,097,461. The San Dieguito Water District is discussed in more detail in Attachment D.

All Other Funds

The City has 53 other funds in various categories, including: General; Infrastructure; Grant; Development Impact; Lighting & Landscape; Affordable Housing; Encinitas Public Financing Authority; Cardiff Sanitary Division; Encinitas Sanitary Division and Internal Service Fund. A complete set of financial plans for all funds is included in the Draft Revised FY2010-11 through FY2014-15 Financial Plan. A discussion of changes in these various funds occurs in Attachment D.

Personnel

The number of employees is measured in full-time equivalent (F.T.E.) units. One F.T.E. works full time, 2,080 hours per year; a half-time employee working 1,040 hours per year counts as 0.5 F.T.E. There are currently 240.65 approved F.T.E.'s. The City Manager is recommending 236.9 F.T.E.'s for FY2010-11, a reduction of 3.75 F.T.E.'s while increasing 1.25 F.T.E.'s in the IT Division and converting 5.0 F.T.E. lifeguards to contract positions.

Each year, the Human Resources Division conducts a routine review of the City of Encinitas' position classification system. Human Resources has divided the City's position classification system into 3 different occupational categories (job families) and each year conducts a Classification Maintenance project which reviews one of three categories. This year's review resulting in the reclassification of the following positions:

- Assistant to the City Manager to Deputy City Manager
- Human Resources Technician/Analyst I/II/III to HR Technician I/II and HR Analyst I/II/III
- Finance Supervisor (Public Works) to Management Analyst I/II/III
- Program Assistant (Public Works) to Finance Technician I/II/III
- Accountant to Finance Analyst (New Classification)

In addition, staff is proposing the following changes/reorganizations:

- In the Information Technology Division add 1.0 Information Technology Technician I/II
- In GIS, combine two vacant intern positions to create 1.0 GIS Analyst

- In GIS, increase 0.75 GIS Analyst to a 1.0 GIS Analyst (and reduce contract employees)
- In Finance, combine two vacant part-time positions (Finance Technician and Accountant) to create 1.0 Finance Analyst
- Convert 5.0 Lifeguard positions to contract seasonal positions (no impact on level of service)

Details of the Classification review, as well as other proposed personnel changes are included in Attachment H.

RECOMMENDATION:

Provide feedback and direction to staff as desired. Direct staff to return with authorizing resolutions to adopt budget appropriations for FY2010-11.

ATTACHMENTS:

Attachment A: Discussion of General Fund Revenues

Attachment B: Discussion of General Fund Expenditures/Transfers

Attachment C: Summary of Changes to General Fund Expenditures (Schedule C)

Attachment D: Discussion of San Dieguito Water District and All Other Funds

Attachment E: Summary of Changes to All Funds (Schedule A)

Attachment F: Assumptions Table for Revenue and Expenditure Projections

Attachment G: Discussion of Capital Improvement Program

Attachment H: Discussion of Personnel and Annual Review of Classification System

GENERAL FUND (FUND 101)

Revenues

The following table is a summary of the General Fund revenue categories. For this Second Year Revise, staff has reviewed all revenue projections in the General Fund. Revenues have been revised from \$50,997,845 to \$50,252,301, a decrease of \$745,544 or 1.46%. A discussion of each of the revenue categories follows this table:

Revenue Category	FY09-10 Original Projections	FY09-10 Mid-Year Review	FY10-11 Original Projections	FY10-11 Revision	FY10-11 Difference
Prop Taxes: Current Secured	24,378,442	24,444,942	24,866,011	24,444,942	-421,069
Prop Taxes: Delinquent Secured	800,000	913,000	800,000	900,000	100,000
Prop Taxes: Current Unsecured	835,000	955,500	835,000	900,000	65,000
Prop Taxes: Current Supplemental	320,000	320,000	320,000	325,000	5,000
Prop Taxes: All Other	538,600	538,600	538,600	538,600	0
Prop Taxes: In Lieu of VLF	4,977,475	5,105,327	5,077,025	5,083,374	6,349
Taxes: Sales Tax Triple Flip	2,418,500	2,178,930	2,418,500	2,178,930	-239,570
Taxes: Sales and Use Tax	7,255,500	6,641,302	7,255,500	6,641,302	-614,198
Taxes: TOT (Hotels)	844,808	844,808	844,808	747,304	-97,504
Taxes: TOT (Short Term Vacation Rentals)	100,000	100,000	100,000	175,264	75,264
Taxes: Documentary Transfer	280,000	280,000	280,000	280,000	0
Taxes: Franchise Fees	2,115,435	2,115,435	2,166,850	2,146,850	-20,000
License Fees and Permits	190,400	190,400	195,400	195,400	0
Intergovernmental Revenue	242,200	442,148	242,200	728,354	486,154
Internal Cost Allocation	1,347,174	1,347,174	1,414,536	1,414,536	0
Charges for Services	1,988,485	2,107,890	1,961,702	1,977,732	16,030
Fines and Penalties	780,150	666,150	770,150	763,150	-7,000
Use of Money	841,020	741,020	836,563	736,563	-100,000
Other Revenue	40,000	40,000	75,000	75,000	0
Total	50,293,189	49,967,626	50,997,845	50,252,301	-745,544

Property Taxes**2010-11 Revised Forecast:****Decrease of \$251,069**

Current Secured	-\$421,069
Delinquent Secured	+\$100,000
Current Unsecured	+\$65,000
Current Secured Supplemental	+\$5,000

The three largest property taxes include **current secured, delinquent secured and current unsecured**. Staff initially projected **current secured property tax** with a 2% inflation factor increasing revenues from \$24,378,442 to \$24,886,011. During the second year revise, current secured property tax revenues were flat-lined to mid-year projections of \$24,444,942 for FY2010-11. Projecting current secured tax revenue will be difficult until the County Assessor's office issues the City's assessed valuation for next fiscal year in May. The County Assessor's office has been adjusting the property rolls daily to transfers in ownership, new construction, assessment appeals, parcel splits, and other dynamic changes. The City does not know how much assessed value will be removed due to Proposition 8 adjustments but the City has been notified that the CPI will be a negative 0.237%. Staff will provide an update to Council during the first quarter of FY2010-11 after final figures are received from the County Assessor's Office. The flat \$24,444,942 estimate is \$421,069 or 1.7 less than the original projection published in the current budget document.

Revenues received in the **delinquent secured taxes** category are determined by prior year delinquencies. The County Assessor's office indicates that Encinitas has outstanding delinquencies of \$1.6 million and estimates that approximately 45% of this will be collected and distributed during the fiscal year. The City has experienced a 65-70% collection rate on prior delinquent secured taxes, thus staff is projecting delinquent secured taxes at \$900,000 or 56% of current outstanding delinquencies.

Unsecured property is property for which the value of the lien is not sufficient to assure payment of the tax. Tax on unsecured property is subject to the same rate applied to secured property in the previous year and due on August 1. The County collects and distributes approximately 96% of the tax by January of each year. This year staff estimated the tax at \$900,000.

In prior years, **current supplemental** tax revenue had increased dramatically as the number of homes sold and the selling price soared. In FY08, the City collected \$950,000 in current supplemental taxes and in FY09 collected \$451,000. Staff is making a slight adjustment during the second year revise by increasing this revenue source \$5,000.

Property Tax in Lieu of Vehicle License Fees**FY2010-11 Revised Forecast: Increase of \$6,349**

In May 2004, Governor Schwarzenegger proposed a swap of local VLF revenues for additional shares of the property tax as part of a state-local budget agreement. City staff originally estimated this revenue at \$5,077,025, however, the County is currently indicating actual amount to be \$5,083,374 or \$6,349 greater than estimated. The tax is paid in two installments in January and May.

Sales and Use Tax**FY2010-11 Revised Forecast: Decrease of \$853,768**

Sales Tax Triple Flip: -\$239,570

Sales and Use Tax: -\$614,198

The City receives sales tax revenue in two ways. Most of the sales tax revenue is received directly from the State. Additionally, as part of the May 2004 state-local government agreement and pursuant to Proposition 57 of 2004, a portion of the local sales and use tax rate is used to repay state fiscal recovery bonds. Cities and counties are reimbursed for the lost revenue from a shift of property tax revenue (referred to as "Sales Tax Triple Flip"). Thus, the City receives property tax in lieu of sales tax. Staff is recommending an overall decrease to sales tax as a result of decreased consumer spending in all major business categories including building and construction, general consumer goods and new car sales.

Staff is recommending the original budget of \$9,674,000 (sales tax and property tax in lieu of sales tax "triple flip") be reduced a total of \$853,768 or 8.8% to \$8,820,232. Staff will continue to watch and assess consumer spending based on quarterly sales tax reports and update City Council on a quarterly basis.

Transient Occupancy Tax**FY2010-11 Revised Forecast: Decrease of \$22,240**

Transient Occupancy Tax (TOT) -\$118,152

Short Term Vacation Rentals (STVR) +\$95,912

TOT is a tax imposed on persons staying 30 days or less in a hotel, inn or other lodging facility. In FY2008-09, voters approved a measure to extend the TOT to short term vacation rentals (STVR). The TOT rate is 10% of the room charge and is collected by hoteliers and paid to the City of Encinitas. Eight percent (of the 10%) is deposited to the General Fund (Fund 101) and 2% (of the 10%) is deposited to the Coastal Zone Management Fund (Fund 210) for sand replenishment projects. The City's TOT has continued to decrease in the current economic climate as tourism has slowed and total revenue projections are adjusted from \$864,808 to \$746,656, a decrease of \$118,152 to the General Fund. However, STVR revenues are coming in higher than originally projected and staff is adjusting the projected revenues from \$80,000 to \$175,912 in the General Fund. (\$746,656 TOT on Hotels and \$175,912 TOT on STVR = \$922,568)

Documentary Transfer Tax**FY2010-11 Revised Forecast:****No Change**

Documentary Transfer Tax is an excise tax imposed on the transfer of interest in real estate and is related to the number of properties sold. There is no revision proposed to the original projection for FY2010-11.

Franchise Fees**FY2010-11 Revised Forecast: Decrease of \$20,000**

Franchise fees are collected from various private companies operating within the boundaries of the City. The City collects franchise fees from telephone, cablevision and solid waste companies. Until construction picks up in the City, staff is projecting \$20,000 less in solid waste franchise fees due to decreased construction waste. The reduction is less than one percent of original projection.

License Fees and Permits

FY2010-11 Revised Forecast: No Change

This category includes business operation permits, business registration, short term rental permits and other miscellaneous permits for a total budget of \$195,400. Staff is not proposing any changes to this category at mid-year.

Intergovernmental Revenue

Y2010-11 Revised Forecast: Increase of \$486,154

Motor Vehicle License Fees: +\$19,984

State Mandate Reimbursements: -\$45,000

Fire Services Management Contract: +\$287,067

North County Transit District (NCTD) Sheriff Deputy: +\$220,200

Other Agency Revenue: +\$3,903

Intergovernmental revenue captures revenues from other governmental agencies Federal, State and other local agencies as described below.

Motor Vehicle License Fees (VLF): There has been a dramatic decline in the VLF revenues allocated to cities during the last few years due to several factors including a decline in the total VLF revenue collections, an increase in DMV charges since the VLF swap in 2004 and a statutory formula that takes the DMV charges entirely from the 25.1% city share. The State issued estimates of revenue for FY10 and FY11 for Encinitas at \$174,900 and \$266,640 respectively; however, until DMV charges are established in the FY11 State Budget, staff is proposing a more conservative budget estimate of \$169,984, an increase of \$19,984 over original projections. Staff may increase this revenue source during one of the quarterly financial reports to City Council.

State Mandate Programs: Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse that local government. The city has several outstanding mandate claims including open meetings act and proposes an adjustment of \$40,000, reduced from \$75,000 for reimbursements in FY2010-11.

Other Intergovernmental Revenue: On September 16, 2009, the City Council entered into a two-year agreement (October 1, 2009 through September 30, 2011) to provide fire management services for the Cities of Del Mar and Solana Beach and to receive battalion chief coverage services from the Rancho Santa Fire Protection District. Revenue from the agreement for management services for the FY2009-10 is projected at \$165,912 and \$287,067 in FY2010-11. Revenue for the agreement is posted in this revenue category with off-setting expenditures included in the Fire Operations Division. Staff is estimating revenues will exceed costs.

North County Transit District (NCTD) Law Enforcement Services Modification: Due to FY2010 budgetary constraints, NCTD requested the San Diego County Sheriff reduce their number of Coaster Deputies from four to one. NCTD was informed by County administration that they could not contract for less than two deputies and recommended a side agreement with a contracting city to obtain the required deputy. The agreement would fund one full time Coaster Deputy (traffic deputy) and pay for the overtime for an additional Traffic Deputy for emergency response only. The City would have use of the deputy during non-emergency response times. City staff has been looking for ways to increase the number of deputies in Encinitas, and this proposal offers the City an

opportunity at no-cost. The cost of the deputy, \$220,200 in FY2010-11 will be expensed in the Law Enforcement Division and revenues recorded in this revenue category.

Other Intergovernmental: This category also includes grants from the Federal and State government and reimbursements from other agencies for emergency responses. To date, this fiscal year the City has received \$12,770 from the U.S. Coast Guard for the oil spill at Moonlight Beach.

Internal Cost Allocation

FY2010-11 Revised Forecast: No Change

Every other year, the City commissions a Cost Allocation Plan to determine the fair share apportionment of internal support costs to front line Departments. The study has two principal purposes: (1) to establish a fair and reasonable allocation of internal service charges to funds and operations other than the general fund and (2) to establish a fair and reasonable allocation of internal service charges to general fund division and departments that provide services to the Public and charge fees for those services (See Charges for Services). The current Cost Allocation Plan was adopted by Council in May 2009. The next Cost Allocation Plan study is schedule for the 2011.

Charges for Services

FY2010-11 Revised Forecast: Increase of \$16,030

Charges for Services include fees collected for community planning, building, engineering, fire and recreation. Staff made one adjustment to building services fees of \$16,030, in anticipation of an increase in the overhead rate for building fees from 31% to 34%. Charges for services have off-setting expenditures and are reviewed in an extensive fee study every two year. No other changes are proposed. The next fee study will done in conjunction with the Cost Allocation Plan scheduled for 2011.

Fines and Penalties

FY2010-11 Revised Forecast: Decrease of \$7,000

Vehicle Code:	-\$60,000
Parking Citations:	+\$53,000

The Fines and Penalties category includes vehicle code and parking code citations as well as red light violations.

At Mid-Year, staff gave Council an update on vehicle code violations. The Sheriff's Department indicates that there is no significant change in the number of citations issued by Encinitas deputies and the Superior Court says the number of cases referred to collections has not significantly changed; however, the collection rate on referred cases is lower than normal. The decreased revenue is likely due to payment plans offered by the County of San Diego which delay collections and defers revenue. Therefore, staff is anticipating that in the current fiscal year vehicle code fines and penalties will be \$60,000 less than originally budgeted \$270,000.

On June 24, 2009, City Council granted an increase to its parking penalty schedule to cover the increasing costs of issuing, processing and adjudicating the citations for violations. An additional increase of \$5 per citation was added. As a direct result of this increase, staff is projected an increase of \$53,000 in the current FY2009-10 and is proposing a like an increase of \$53,000 in parking citation revenues for the next fiscal year.

Use of Money**FY2010-11 Revised Forecast: Decrease of \$100,000**

Use of Money includes investment earnings, property rental, cell tower revenue, commissions and donations originally estimated at \$836,563. Based on current rates of returns on investments, staff is projecting a decrease of investment earnings of \$100,000.

Other Revenue**FY2010-11 Revised Forecast: No Change**

Other Revenue includes proceeds of fixed assets, cost recovery, booking fees and other miscellaneous revenue estimated at about \$75,000 annually. Staff is not proposing any changes to this category of revenue.

GENERAL FUND (FUND 101)

Expenditures

A summary of all General Fund expenditures by Department is shown on Attachment C. The General Fund operating expenditures for FY2010-00 were originally proposed at \$48,252,556. However, due to several modifications to the budget as discussed below, proposed FY2010-11 expenditures have been reduced to \$45,827,113. The reduction in expenditures is primarily due to decreased law enforcement costs and implementation of the one-year Fiscal Realignment Plan.

1	2	3	4	5	6
	FY08/09 Actual Expenditures	FY09/10 (Projected)	FY10/11 (Original)	FY10/11 (Revised w/ Fiscal Realignment)	% Over FY09-10
General Government	9,810,125	9,542,427	9,945,749	9,663,333	1.3%
Planning & Building	3,589,360	3,541,277	3,376,340	3,278,474	-7.4%
Law Enforcement	11,276,980	11,467,099	12,707,673	11,135,800	-2.9%
Fire/Marine Safety	10,256,364	11,105,924	11,032,807	11,213,040	1.0%
Public Works	2,511,731	2,516,058	2,545,298	2,419,928	-3.8%
Engineering	3,981,315	3,894,215	4,056,145	3,771,994	-3.1%
Parks/Recreation	4,426,738	4,404,707	4,588,433	4,344,544	-1.4%
Total: All Departments	45,852,613	46,471,707	48,252,445	45,827,113	-1.4%

GENERAL GOVERNMENT

(which includes City Council, City Manager, City Clerk, Arts Administration, Economic Development, Human Resources, Legal Services, Finance and IT)

There are no significant revisions to the base budget of City Council, City Manager, City Clerk, Arts Administration, Economic Development, Human Resources, Legal Services, and the Finance Departments, but there have been several adjustments in these areas in accordance with the one-year **Fiscal Realignment Plan** as follows:

City Council – Reduced travel & local meetings (\$8,000) due to decreased attendance of League of California Cities events, reduced memberships (\$1,600), reduced Phone (\$1,000) because one council member does not use City cell phone and reduced mileage (\$1,000) due to historical usage patterns. Total \$11,600

City Manager – Eliminated vacant intern for one year (\$17,809 – one half of the cost is related to the Fiscal Realignment Plan, the other half was a second year revision) and reduced memberships (\$700). Total \$18,509

City Clerk – Reduced office supplies (\$2,000)

Arts Administration – Reduced contractual services (\$8,000) to better align budget and historical expenditure. Eliminate food budget for art exhibits as refreshments are typically provided by the artist (\$500). Total \$8,500

Economic Development – Reduce Visitor Center Support (\$76,500). Approximately \$10,000 remaining in budget to assist with an internet presence or some other form of visitor information as yet undetermined. Total \$76,500

Human Resources – Reduced Professional Firms – the law firm of Liebert, Cassidy, & Whitmore consortium training cost has been less than anticipated for the past two years and is expected to remain the same next fiscal year (\$1,500). Reduced training – forgo the remaining monthly meetings of the North County Personnel Association and will take advantage of the SANDAG excel and word training (\$1,300). Reduced contractual for citywide training (\$21,900). Reduced printing, binding & duplicating - the check stock currently in use cannot be used when HTE is replaced so only enough check stock to last the next fiscal year will be ordered (\$1,500). Total: \$26,200.

Legal Services – Reduced contracts and services (\$12,000), reduced travel and meetings account (\$500) Total: \$12,500

Finance – The Finance Department is proposing a reorganization that would combine two vacant part-time positions (a half-time accountant and a half-time finance technician) into a full-time Finance Analyst. The Finance Department is also proposing reclassifying one Accountant to a Finance (Budget) Analyst as discussed in the Personnel Section of this Staff Report (Attachment H). In accordance with the **Fiscal Realignment Plan**, the budget includes the following reductions: staff renegotiated the annual audit contract (\$1,000) and reduced membership dues (\$200). In the Central Services Division, staff will maximize quantity discounts and place tighter scrutiny on office supplies purchases (\$5,000). Reduced office furniture & equipment (\$1,250). Reduced telephone due to lower costs of new contract (\$5,000). Reduced postage (\$5,000). Total: \$17,450

The IT Department has made revisions to their base budget and is requesting additional resources as discussed below:

IT (Information Technology and Geographical Information Systems)

The City Manager is recommending a new Information Technology Technician in the IT Division (see also Attachment H – Discussion of Personnel). In addition, several Fiscal Realignment Plan reductions have been factored into the budget including reductions in computer supplies (\$2,000), books and subscriptions (\$200), computer software (\$6,000) and office furniture and equipment (\$450), computer hardware maintenance (\$2,000), local telephone costs (\$2,900) and mileage reimbursement (\$300). Total: \$13,850

GIS - The GIS division proposes creating a 1.0 GIS Analyst by combining two vacant part time positions and increasing an 0.75 GIS Analyst to a 1.0 GIS Analyst. By reducing the number of contractual GIS technicians, the proposal is cost neutral. (See Attachment H – Discussion of Personnel)

If approved, Division Staff would be as follows:

Current	Proposed
1.0 FTE GIS Supervisor	1.0 FTE GIS Supervisor
1.0 FTE GIS Project Manager	1.0 FTE GIS Project Manager
0.75 FTE GIS Analyst	1.0 FTE GIS Analyst
1.0 FTE GIS Intern (Vacant)	1.0 FTE GIS Analyst
=====	
2.0 Contract Employee GIS Techs	1.0 Contract Employee GIS Tech

Fiscal Realignment reductions in the division include a \$2,300 reduction in materials and supplies and a \$3,000 reduction in computer software and hardware maintenance (\$3,000). Total: \$5,300

Non-Departmental – A “budget” division was created for costs that are not associated with any particular Department, but are incurred for general costs associated with city-wide resources. This year, the Non-Departmental budget has been reduced significantly due to two factors. First, the City’s annual required contribution for Other-Post-Employment-Benefits (GASB 45), as determined by an actuarial analysis, went down by approximately \$100,000 and the contribution to the vehicle replacement fund and heavy apparatus and equipment fund was removed from this division and budgeted as a “Transfer Out” of the General Fund.

PLANNING AND BUILDING

Planning and Building

The Planning and Building Department includes Customer Service, Advanced Planning, Current Planning, Code Enforcement and Building Services.

Planning is proposing to reallocate .50 of a 1.0 Customer Service Planner position as follows: transfer 0.25 of the Planner to a 0.5 Planner (making that Planner 0.75) and transfer the other 0.25 of the Customer Service Planner to a second 0.50 planner (also making that planner a 0.75 F.T.E.) and leaving 0.50 of the Customer Service Planner position vacant.

Planning is proposing to leave a topped out Senior Planner I position vacant and reduce the funding to an entry level Planner I-IV position. If development applications pick up, Planning may request filling the position or use funding to cover consultant costs.

Planning proposes \$11,000 be moved to the Early MHCP Implementation Program from the Private Property Cleanup Program in order to cover costs associated with the removal and clean up of encampments located in natural open space areas. \$5,000 will remain in the Private Property Cleanup Program for encampments located outside of the natural open space areas.

In conjunction with the **Fiscal Realignment Plan**, Planning is proposing the following additional reductions:

Customer Service/Admin has reduced membership fees by \$115. Code Enforcement has reduced their clothing allowance by \$250, and Current Planning has reduced their budget by an additional \$28,578 by further reducing the funding on the already reduced Senior Planner I position to the funding of an entry level Planner I. In lieu of funding the Planning I vacant position at 1.0 F.T.E. (2,080 hours), Planning proposes to fund the position at a 0.5 level (1,040 hours), resulting in additional savings of \$28,578. If there is an increase in development, staff will hire a consultant to assist in completing the number of applications that are submitted. This will enable staff to continue to offer good customer service and provide applicants with the appropriate turn around time on their applications.

PUBLIC SAFETY – LAW ENFORCEMENT

There are significant savings in the Law Enforcement budget. During the City's FY 2010 budget process, San Diego County Sheriff costs were budgeted for a 5% increase, (the increase cap allowed by contract is 5.5%). After the City budget was adopted, however, the Sheriff provided the FY 2010 contract costs reflecting cost increases at less than the allowed cap. For FY 11, the Sheriff has cut overtime charges by sworn staff by 20% through scheduling improvements in implementing more rigid vacation allowance. Half of the time staff absence is unexpected (e.g. sickness), but vacation absences are controllable and more attention is being dedicated to ensuring work coverage can be handled by on-duty staff. Favorable market conditions enabled the re-financing of pension obligation bonds for the sworn staff, creating savings in the benefit allocations to Deputies, supervisors and management. Charges for ancillary services were reduced due to management reductions at headquarters and reorganization as a result of reductions in Deputies system-wide. In summary, significant cost savings were realized through scheduling improvements, refinancing pension bonds, and re-organizing due to staffing reductions. As a result, the expenditure budget has been reduced by approximately \$1.6 million.

FIRE AND MARINE SAFETY

The Fire Department includes Fire Administration, Fire Operations, the Fire Prevention Bureau, Disaster Preparedness and Marine Safety Services.

On July 15, 2009, the City Council authorized the City Manager to enter into negotiations with the Cities of Del Mar and Solana Beach to provide management services of their fire departments and the Rancho Santa Fe Fire Protection District for Battalion Chief coverage. On September 16, 2009, the City Council authorized the City Manager to enter into a Fire Management Services Agreement. Under this agreement, the Rancho Santa Fe Fire Protection District will provide Battalion Chief coverage for Encinitas, Del Mar and Solana Beach. The estimated cost for this service in Fiscal Year 2010-11 is \$234,229 for a full year of coverage.

Fiscal Realignment Plan reductions of \$68,755 include:

Fire Operations and Support - various reductions to fitness equipment, safety clothing, dispatch contract, and local telephone (\$38,100)

Loss Prevention and Planning – reduction in membership dues (\$180)

Disaster Preparedness – reduction in CERT Academy costs (\$12,812), tables for the EOC (\$660) and reduction in costs for an intern (\$6,153) which will be funded by a grant

Marine Safety – reductions in various supplies (\$1,000), books and subscriptions (\$250), special clothing (\$1,000) and deferral of the purchase of an ATV (\$8,600)

PUBLIC WORKS

Fiscal Realignment Plan reductions include: Decreasing downtown power washings from two times a year to one (\$4,000), reducing tree maintenance and tree planting costs (\$10,000), reducing PWI crews to two days a week (\$20,000), reducing special graffiti removal (\$1,000), reducing budget for UV storm water treatment facility based on historical cost averages (\$19,950), using City forces to mow Lot 12 (\$1,400), and various reductions in facility maintenance such as window washing and plant watering (\$36,873). Total: \$93,223

ENGINEERING

The Engineering Services Department is proposing revisions to FY2011 that result in a reduction of \$80,344 for the fiscal year. The Deputy City Engineer position will remain vacant for six months for a reduction of \$90,344 in salary and benefits and an additional \$10,000 is to be allocated for a contract employee to provide as-needed services while the position is vacant.

As a part of the **Fiscal Realignment Plan** the Engineering Services Department will reduce expenditures on materials such as office supplies, field supplies, small tools and books and subscriptions by \$2,797 department wide. Contracts and Services will be reduced by \$198,451 and includes the following: Contract Inspection Services will be reduced by \$105,000 in addition to reallocating \$65,450 in inspection costs to specific Capital Improvement Projects that require inspection services; a reduction of \$12,500 through elimination of contractual development review in both General Engineering and the Clean Water Program; a reduction of \$7,000 in General Engineering contractual services through the elimination of a contract to complete the Annual Anticipated DBE Participation Level (AADPL) with the process to be completed in-house for FY2011 in order to maintain compliance with Federal codes; \$2,194 was identified in savings to local phone and membership dues costs; a reduction of \$4,307 for Red Light Camera costs resulting from a lower than anticipated CPI increase to the contract; and a reduction of \$2,000 from the TMDL for Indicator Bacteria program in Clean Water. Overall the Engineering Services Department has identified \$135,798 in reductions and \$65,450 in expenditures that will be re-allocated to non-General Fund capital projects for the Fiscal Realignment Plan. Total: \$200,248

PARKS AND RECREATION

Staff is requesting a permanent transfer of \$46,539 from the Parks and Recreation Budget (General Fund) to the Recreation Fund (Fund 146) to support the Senior Nutrition Program. Parks and Recreation staff has identified savings in their budget to allow for this transfer of funding. A more detailed discussion of the recreation fund (Fund 146) follows in a later section of this report.

Staff has also implemented over \$203,350 in reductions in conjunction with the **Fiscal Realignment Plan** as follows: Deferred maintenance on parks (\$110,000), deferred maintenance on beaches (\$39,000), deferred development of trails (\$8,600), reduction in recreation services (\$38,350), eliminating the plant service contract for the Community Center (\$6,000) and eliminating the pet health expo and consolidating the clinic with the Cardiff Dog Days of Summer (\$1,400). Total: 203,350

Transfers To/From the General Fund

TRANSFER TO THE GENERAL FUND – No proposed revisions

Giving Fund	FY2010-11 Original	FY2010-11 Revise
Community Facility Fees (237)	14,275	14,275
Encinitas Ranch Sales Tax Repayment	135,673	135,673
TOTAL TRANSFER IN	149,948	149,948

TRANSFER FROM THE GENERAL FUND

Receiving Fund	FY2010-11 Original	FY2010-11 Revise
Capital Projects (472)	1,054,000	1,116,600
Self Insurance Fund (113)	300,000	282,529
Debt Service Fund (321)	3,091,550	3,005,297
Coastal Zone Management Fund (210)	39,500	39,500
Recreation Fund (146)	0	46,539
Fire Apparatus Fund (695)	0	114,366
TOTAL TRANSFER OUT	4,485,050	4,604,831

Transfer to the Capital Project Fund – the transfer to the Capital Project Fund has been increased by \$62,600 due to a newly proposed project – Early MHCP Implementation (discussed in Attachment G).

Transfer To the Self Insurance Program – due to Fiscal Realignment reductions, the contribution from the General Fund to the Self Insurance Fund has been reduced by \$17,471. To the Recreation Fund

Transfer to the Debt Service Fund – funding previously programmed funding for Fire Apparatus Lease payments is now shown as a transfer to the newly created Fire Apparatus Fund (approved by Council on March 17, 2010).

Transfer to Coastal Zone Management Fund – this transfer is for payments to the City’s lobbyist for sand replenishment projects remains unchanged.

Transfer to the Recreation Fund – As discussed at mid-year and in other sections of this report, staff is requesting a transfer from the General Fund to the Senior Nutrition Program to support the costs of this program, which have exceeded the grant and donations received.

Transfer to the Fire Apparatus Fund – Previously programmed in the transfer to the Debt Service Fund, lease payments for fire apparatus are now shown as a transfer to the newly created Fire Apparatus Fund.

Schedule C: Summary of Changes to FY2010/11 General Fund Expenditures

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
	FY08/09	FY09/10	FY10-11	FY10-11	FY10-11	FY10-11
	Actual	Revised	Originally	Revised	Realignment	Revised
	Amounts	Budget	Approved	Budget	One-Time	Budget w/
Adoption Date	6/30/2009	Feb 2010	May 2009		Savings	Realignment
Expenditures:						
General Government:						
Community Projects	60,001	54,000	54,000	54,000	0	54,000
Legislative/City Council	326,422	363,662	389,878	389,878	(11,600)	378,278
City Manager	636,367	667,451	713,075	723,172	(9,605)	713,567
Arts Administration	120,515	138,571	148,185	148,185	(8,500)	139,685
Economic Development	283,647	271,600	282,600	282,600	(76,500)	206,100
Human Resources	755,987	841,655	868,439	875,563	(26,200)	849,363
Library Operations	5,692	0	0	0	0	0
Information Technology	1,243,575	1,190,372	1,225,129	1,294,141	(13,850)	1,280,291
Geographic Information	651,615	603,965	633,936	648,623	(5,300)	643,323
City Clerk	537,440	539,133	558,518	558,518	(2,000)	556,518
Elections	53,812	0	32,100	32,100	0	32,100
Legal Services	316,344	304,000	304,000	304,000	(12,500)	291,500
Financial Services	1,524,068	1,356,686	1,413,136	1,442,259	(1,200)	1,441,059
Central Services	375,687	369,933	366,256	361,756	(16,250)	345,506
Non-Departmental	3,251,474	2,841,399	2,956,497	2,732,043	0	2,732,043
	<u>10,142,645</u>	<u>9,542,427</u>	<u>9,945,749</u>	<u>9,846,838</u>	<u>(183,505)</u>	<u>9,663,333</u>
Planning and Building:						
Customer Service/Admin	706,690	784,386	829,823	790,361	(115)	790,246
Current Planning	802,662	770,294	801,660	760,699	(28,578)	732,121
Applicant Deposits	158,460	100,500	100,500	100,500	0	100,500
Advanced Planning	518,418	546,126	574,436	574,436	0	574,436
Code Enforcement	473,420	459,472	452,247	463,747	(250)	463,497
Building Services	929,707	880,498	617,674	617,674	0	617,674
	<u>3,589,358</u>	<u>3,541,276</u>	<u>3,376,340</u>	<u>3,307,417</u>	<u>(28,943)</u>	<u>3,278,474</u>
Public Safety:						
Law Enforcement	11,252,031	11,390,099	12,683,673	11,058,800	0	11,058,800
Parking Enforcement	24,948	77,000	24,000	77,000	0	77,000
	<u>11,276,979</u>	<u>11,467,099</u>	<u>12,707,673</u>	<u>11,135,800</u>	<u>0</u>	<u>11,135,800</u>
Fire Administration	499,222	516,782	539,521	539,521	0	539,521
Fire Operations & Support	8,144,216	8,857,421	8,726,302	8,972,302	(38,100)	8,934,202
Loss Prevention & Planning	644,151	694,677	731,419	731,419	(180)	731,239
Disaster Preparedness	151,341	160,291	178,035	178,035	(19,625)	158,410
Marine Safety Services	817,437	876,753	857,530	860,518	(10,850)	849,668
	<u>10,256,367</u>	<u>11,105,924</u>	<u>11,032,807</u>	<u>11,281,795</u>	<u>(68,755)</u>	<u>11,213,040</u>
Public Works:						
Administration	233,206	261,661	258,582	115,431	0	115,431
Emergency Flood Control	-	0	0	0	0	0
Environmental Programs	-	0	0	118,000	0	118,000
Street Maintenance	466,992	512,882	523,239	523,239	(35,000)	488,239
Facility Maintenance-Civic	457,735	312,588	309,705	302,709	(15,155)	287,554
Facility Maintenance-Fire Station:	229,731	165,128	167,007	167,007	(3,745)	163,262
Facility Maintenance-PW Yard	196,811	216,302	204,467	204,467	(5,904)	198,563
Facility Maintenance-Library	249,282	271,231	277,104	277,104	(12,069)	265,035
Storm Water Maintenance	484,531	641,286	668,572	668,572	(19,950)	648,622
Storm Water Flood Control	193,452	134,980	136,622	136,622	(1,400)	135,222
	<u>2,511,740</u>	<u>2,516,058</u>	<u>2,545,298</u>	<u>2,513,151</u>	<u>(93,223)</u>	<u>2,419,928</u>

Schedule C: Summary of Changes to FY2010/11 General Fund Expenditures
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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
	FY08/09	FY09/10	FY10-11	FY10-11	FY10-11	FY10-11
	Actual	Revised	Originally	Revised	Realignment	Revised
	Amounts	Budget	Approved	Budget	One-Time	Budget w/
Engineering Services:						
City Engineering	2,615,178	2,437,441	2,524,493	2,440,590	(188,329)	2,252,261
Traffic Engineering	680,776	731,224	774,038	774,038	(5,309)	768,729
Storm Water Compliance	685,366	725,550	757,614	757,614	(6,610)	751,004
	<u>3,981,320</u>	<u>3,894,215</u>	<u>4,056,145</u>	<u>3,972,242</u>	<u>(200,248)</u>	<u>3,771,994</u>
Parks and Recreation:						
Administration	513,947	507,179	525,283	525,283	0	525,283
Park Services	1,289,834	1,246,823	1,281,355	1,281,355	(110,000)	1,171,355
Beach Services	472,495	497,174	509,909	509,909	(39,000)	470,909
Recreational Trails	124,602	106,105	108,407	108,407	(8,600)	99,807
Recreation Services	628,101	599,063	644,882	614,878	(38,350)	576,528
Community & Senior Center	1,105,308	1,126,243	1,174,692	1,158,157	(6,000)	1,152,157
Animal Regulation	292,456	322,120	343,905	349,905	(1,400)	348,505
	<u>4,426,743</u>	<u>4,404,707</u>	<u>4,588,433</u>	<u>4,547,894</u>	<u>(203,350)</u>	<u>4,344,544</u>
TOTAL EXPENDITURES	46,185,152	46,471,706	48,252,445	46,605,137	(778,024)	45,827,113

ALL OTHER FUNDS (INCLUDING THE SAN DIEGUITO WATER DISTRICT FUNDS)

Note: Only those funds with substantive changes from the originally adopted budget are discussed.

Recreation Fund (Fund 146)

The Recreation Program Fund provides a variety of recreational, educational, enrichment and sports activities to the public on a fee-for-use basis. Fees are designed to cover direct program costs, such as contractual staff, services and supplies, and other related program expenditures. During the mid-year budget review in February, Council approved a revised expenditure plan to address a lower than anticipated fund balance. That plan included adjustments to both revenues and expenditures and also included a transfer of \$46,539 from the Department's general fund operating budget to support the Senior Nutrition Program. Staff recommends continuing this transfer on an annual basis to support the program. Funds would be transferred from the Department's general fund operating budget. A revised 6-year cash flow reflects these changes.

INFRASTRUCTURE FUNDS

HUTA (Gas Tax) Fund (Fund 201)

Gov. Arnold Schwarzenegger signed ABX8 6 and ABX8 9, the bills containing the main provisions for the Transportation Funding Swap Proposal. Unlike previous proposals, the final swap package does not authorize a new locally-imposed fee on gasoline to fund transit, bicycle, and pedestrian projects. It also increases the share for local streets and roads from 40 percent to 44 percent, which would increase funding for local streets and roads. However, it continues to have some of the same problems as the previous two proposals, including weakened constitutional protections and vulnerability if state debt service increases in the future.

The swap contains three major components:

1. Repeals the state's share of the sales tax on gasoline; local sales tax shares are not affected;
2. Increases the excise tax on gasoline by 17.3 cents and adds an annual index that will make sure the new excise tax will keep pace with the revenues otherwise expected from the state's share of the sales tax on gas; and
3. Increases the sales tax on diesel by 1.75 percent and allocates 75 percent to local transit agencies and 25 percent to state transit programs. The excise tax on diesel will be reduced from 18 cents to 13.6 cents for revenue-neutrality purposes.

Staff has updated the revenue projections in this fund, with figures provided by the League of California Cities and the State of California. Under the revised figures, the Gas Tax fund has been reduced by approximately \$150,000/year.

State Capital Grant Fund (Fund 203) – Proposition 42 funds

Another revenue impacted by the Gas Tax Swap are Proposition 42 funds which are generated from State sales tax on gasoline. The new gas tax swap law includes expressed legislative intent to fully replace the local streets and road funds cities and counties would have received under Proposition 42 state sales tax on gasoline with allocations from the new higher motor vehicle excise tax (HUTA) rate. With the Governor's signing the March 2010 gasoline tax swap, Proposition 42 funds are effectively eliminated for FY2010-11. However since the City is supposed to receive "swap" funds for the previously received Prop 42 funds, staff has only modified these numbers in the budget based on new estimates received. Under the revised figures, Prop 42 funds have been reduced by approximately \$25,000/year.

TransNet-Prop A Sales Tax Fund (Fund 204)

TransNet is a ½ cent regional sales tax for transportation projects and administered by the San Diego Association of Government. Based on the latest projections from SANDAG, staff has updated the figures for TransNet funding projections. Since revenue projections have been reduced, staff is proposing the elimination of the annual contribution to the City's Traffic Safety/Calming project as described in Attachment G.

GRANT FUNDS

On March 24, 2010, the City Council approved funding for FY2010-11 CDBG/HOME activities and projects, which was incorporated into a draft FY2010-11 Action Plan. The draft FY2010-11 Action Plan was made available for 30-day public review and comment on March 26th.

AFFORDABLE HOUSING GRANT PROGRAMS

Staff estimated CDBG and HOME entitlement funding for the March 24th hearing, since HUD had not yet released funding allocations for FY2010-11. For planning purposes staff estimated a funding level of approximately \$400,000 for the CDBG program and approximately \$227,000 for the HOME program. HUD has released funding allocations, which are \$434,190 of CDBG funds and \$227,944 of HOME funds. At the March 24th hearing, the City Council approved a proportional increase to approved activities and projects that were not fully funded, if additional funds were allocated. The proposed activity and project funding levels reflect the proportional increases of \$34,190 of CDBG funds and \$944 of HOME funds.

CDBG PROGRAM

As noted, the City will receive \$434,190 of FY2010-11 entitlement funds. In addition to the annual funds, staff recommends the reallocation of funds from previous years totaling \$95,660. The reallocated funds are unexpended funds of \$17,123 from FY2009-10 activities, and \$78,537 from FY2008-09 residential rehabilitation program funds. Council had approved \$216,197 of CDBG funds for the residential rehabilitation program.

With annual entitlement funds and reallocated funds, the total available CDBG funding is \$529,850. Proposed expenditures are delineated into three categories: Public Services, Planning and Administration, and Capital Improvements (Other Activities).

Revenues	Amount	Source
Annual Grant	\$434,190	FY2010-11 Funds
Funds Reallocation	\$95,660	FY2008-10 Funds
Revenue Total	\$529,850	
Expenditures	Amount	Availability
Public Services	\$65,128	15% of FY2010-11 Funds
Planning & Administration	\$86,838	20% of FY2010-11 Funds
Capital Improvements (Other Activities)	\$377,884	FY2010-11 and Reallocated Funds
Expenditure Total	\$529,850	

ENCINITAS HOUSING AUTHORITY

The City will receive \$1,191,050 from the Federal Government to provide rental assistance for approximately 136 families. The funding the City receives from the Federal Government was decreased from our estimates.

Revenues	Actual FY10/11 Amount
Annual Grant	\$966,101
HAP Port-In	\$93,600
Admin	\$123,000
HAP Admin	\$6,000
Investment Earnings	\$2,349
Revenue Total	\$1,191,050
Expenditures	Amount
Planning Admin.	\$129,000
Programs/Other Activities	\$962,050
Federal Housing Subsidy	\$100,000
Expenditure Total	\$1,191,050

HOME PROGRAM

As noted, the City will receive \$220,856 of activity funding and \$7,088 of administration funding for FY2010-11 HOME funds.

Revenues	Amount	Source
Annual Grant	\$227,944	FY2010-11 Funds
Revenue Total	\$227,944	
Expenditures	Amount	Availability
TBRA Program	\$220,856	FY2010-11 Funds
Administration	\$7,088	FY2010-11 Funds
Expenditure Total	\$227,944	

DEVELOPMENT IMPACT FEE FUNDS

Development Impact Fees are generally paid at the end of a project (usually prior to issuance of certificate of occupancy). Projections are based on staff's best estimate of when an applicant/developer will complete project construction. Currently, the development impact fee revenues appear to be on target. Development Impact Fees are used exclusively for capital projects and not for operational needs. There have been no substantive changes to any of the Development Impact Fee Funds.

LIGHTING & LANDSCAPE FUNDS

The Lighting and Landscape District funds are reviewed through a separate public hearing process to renew the Encinitas Landscape and Lighting District Annual Engineer's Report. Any changes as a result of the public hearing will be incorporated into the final published document. The budget currently anticipates a rate increase (subject to a Proposition 218 vote) in FY12/13.

ENTERPRISE FUNDS

Cardiff Sanitary Division (CSD) – Only the capital contribution has been updated as detailed in the Capital Improvement Program.

Encinitas Sanitary Division (ESD) - Only the capital contribution has been revised as detailed in the Capital Improvement Program.

San Dieguito Water District

The District's expenditures for next fiscal year have been reduced from \$16,472,020 to \$15,838,001. The reduction is due to lower than anticipated water rate increases at the San Diego County Water Authority. The revised expenditures were utilized in a Water Rate Study that was adopted by the District Board on February 24, 2010. The Study recommended a 13 percent revenue increase in FY 10/11. It also recommended the utilization of \$1,387,306 in reserves to reduce the overall revenue increase needed. This has resulted in a decrease in proposed revenue for next fiscal year from \$16,992,454 to \$14,450,695.

INTERNAL SERVICE FUNDS

Staff has created two new funds for Fire Apparatus and Heavy Equipment. A long-term financing plan for the Fire Apparatus Fund was approved by Council on March 17, 2010. A long-term financing plan for heavy equipment (Vac-Con, Bobcat, water truck, dump truck, rodder, trailers, etc.) will be developed and presented to Council in the next fiscal year.

Budget Summary (Schedule A) - Fiscal Year 2010-2011

(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Adjusted			Interfund	Interfund	Interfund	Interfund	Current Year	Adj. Projected
Page	FUND NAME (FUND NO.)	Fund Balance	Revenue	Proposed	Transfers	Transfers	Transfers	Transfers	Summary	Fund Balance
No.		July 1, 2010	Projections	Expenditures	Operating	Other	Debt Service	Capital	(3-4+5+6+7+8)	(2-9)
GENERAL FUNDS										
	General (101)	14,745,479	50,252,301	45,827,113	(368,568)	149,948	(3,119,663)	(1,116,600)	(29,695)	14,715,784
	Self-Insurance (113)	2,558,504	860,830	1,553,808	282,529	0	0	0	(410,449)	2,148,055
	Special Projects Fund (119)	987,468	0	0	0	39,892	0	0	39,892	1,027,360
	Civic Center Improvements (152)	256,629	1,070,000	0	0	0	(903,906)	(175,000)	(8,906)	247,723
	Sales Tax Receivable (192)	645,603	0	0	0	(135,673)	0	0	(135,673)	509,930
	Recreation Programs (146)	(50,983)	1,385,770	1,315,223	46,539	0	0	0	117,086	66,103
INFRASTRUCTURE FUNDS										
	Gas Tax (201)	245,028	1,043,170	1,058,573	0	0	0	0	(15,403)	229,625
	Federal Trans. Grants (202)	0	0	0	0	0	0	0	0	0
	State Trans Grants (203)	535,429	635,981	0	0	0	0	(850,000)	(214,019)	321,410
	Transnet (204)	(782,319)	1,217,882	0	0	0	0	(1,050,000)	167,882	(614,437)
	Trans Develop Act Grants (205)	2,031	367	0	0	0	0	0	367	2,398
	Coastal Zone Management Fund (210)	919,994	231,548	275,255	39,500	0	0	(227,411)	(231,618)	688,376
GRANT FUNDS										
	C.D.B. Grant (222)	0	529,850	247,626	0	0	0	(282,224)	0	0
	Affordable Housing (225)	68,979	1,570	0	0	0	0	0	1,570	70,549
	Encinitas Housing Authority (226)	109,962	1,191,050	1,191,050	0	0	0	0	0	109,962
	HOME Entitlement (227)	0	227,944	227,944	0	0	0	0	0	0
	Govt/Educational Access (228)	406,722	130,800	49,428	0	0	0	0	81,372	488,094
	Recycling/Solid Waste/HHW (229)	1,342,345	415,205	453,654	0	0	0	0	(38,449)	1,303,896
	Asset Forfeiture (261)	98,322	1,014	5,000	0	0	0	0	(3,986)	94,336
	Special Law Enforcement (262)	0	100,000	100,000	0	0	0	0	0	0
	Federal Special Law Enforce (263)	0	0	0	0	0	0	0	0	0
DEVELOPMENT IMPACT FUNDS										
	Park Development Fees (231)	88,198	59,694	0	0	0	0	(150,000)	(90,306)	(2,108)
	Park Acquisition Fees (234)	(275,923)	159,821	0	0	0	0	(100,000)	59,821	(216,102)
	Flood Control Fees (232)	14,522	74,246	0	0	0	0	(50,000)	24,246	38,768
	Traffic Mitigation Fees (233)	1,585,618	494,470	0	0	0	0	0	494,470	2,080,088
	Open Space (235)	(3,974)	10,763	0	0	0	0	(15,000)	(4,237)	(8,211)
	Recreational Trails (236)	7,156	2,741	0	0	0	0	0	2,741	9,897
	Community Facilities (237)	0	14,275	0	0	(14,275)	0	0	0	0
	In Lieu Curb Gutter Sidewalks (238)	6,403	63	0	0	0	0	0	63	6,466
	In-Lieu Underground Utilities (239)	502,198	4,930	0	0	0	0	0	4,930	507,128
	RTCIP (Regional Arterial System) Fee (241)	50,001	51,000	500	0	0	0	0	50,500	100,501
	Fire Mitigation Fees (272)	0	39,892	0	0	(39,892)	0	0	0	0
LIGHTING & LANDSCAPING DISTRICTS										
	Village Park MID (290)	135,538	31,357	36,735	0	0	0	0	(5,378)	130,160
	Villanitas Road MID (291)	221,534	22,525	16,994	0	0	0	0	5,531	227,065
	Cerro Street MID (292)	216,484	40,573	31,043	0	0	0	0	9,530	226,014
	Encinitas Landscape/Light. (295)	333,829	1,167,810	1,241,284	0	0	0	(78,800)	(152,274)	181,555
	Wiro Park (296)	8,434	11,081	10,430	0	0	0	0	651	9,085
	Encinitas Ranch District (297)	954,612	673,620	571,186	0	0	0	0	102,434	1,057,046
TOTAL CITY FUNDS		25,933,823	62,154,143	54,212,846	0	0	(4,023,569)	(4,095,035)	(177,307)	25,756,516

Budget Summary (Schedule A) - Fiscal Year 2010-2011

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Page	Adjusted	Revenue	Proposed	Interfund	Interfund	Interfund	Interfund	Current Year	Adj. Projected	
No.	FUND NAME (FUND NO.)	FUND BALANCE	REVENUE	EXPENDITURES	TRANSFERS	TRANSFERS	TRANSFERS	SUMMARY	FUND BALANCE	
		July 1, 2010	Projections		Operating	Other	Debt Service	(3-4+5+6+7+8)	(2-9)	
	AFFORDABLE HOUSING STOCK									
	Pacific Pines Condominiums (561)	358,545	223,323	201,483	0	0	0	21,840	380,385	
	TOTAL AFFORDABLE HOUSING	358,545	223,323	201,483	0	0	0	21,840	380,385	
	DEBT SERVICE FUND (321)	0	213,800	4,237,369	0	0	4,023,569	0	0	
	CARDIFF SANITARY DIVISION FUNDS									
	Operations (501)	644,742	4,711,485	2,769,892	0	0	0	(1,893,862)	47,731	692,473
	Capital Replacement (502)	9,332,900	51,255	806,293	0	0	(713,800)	1,893,862	425,024	9,757,924
	Capital Expansion (503)	(81,340)	0	0	0	0	0	0	0	(81,340)
	Debt Service (504)	0	30,000	743,800	0	0	713,800	0	0	0
	Rate Stabilization (506)	1,228,766	0	0	0	0	0	0	0	1,228,766
	TOTAL CSD FUNDS	11,125,068	4,792,740	4,319,985	0	0	0	0	472,755	11,597,823
	ENCINITAS SANITARY DIVISION FUNDS									
	Operations (521)	351,720	2,769,875	1,474,319	0	0	0	(1,278,696)	16,860	368,580
	Capital Replacement (522)	2,351,630	0	917,035	0	0	0	1,278,696	361,661	2,713,291
	Capital Expansion (523)	1,545,789	339,663	0	0	0	0	0	339,663	1,885,452
	Rate Stabilization (525)	905,800	0	0	0	0	0	0	0	905,800
	TOTAL ESD FUNDS	5,154,939	3,109,538	2,391,354	0	0	0	0	718,184	5,873,123
	SAN DIEGUITO WATER DISTRICT FUNDS									
	Operations (531)	1,010,185	13,235,760	10,857,763	0	(113,117)	(1,756,238)	0	508,642	1,518,827
	Capital Replacement (534)	7,847,702	140,661	2,564,000	0	0	0	250,000	(2,173,339)	5,674,363
	Debt Service (536)	-	0	1,756,238	0	0	1,756,238	0	0	0
	Recycled Water (537)	-	660,000	660,000	0	0	0	0	0	0
	Rate Stabilization (535)	820,070	414,274	0	0	113,117	0	(250,000)	277,391	1,097,461
	TOTAL SDWD FUNDS	9,677,957	14,450,695	15,838,001	0	0	0	0	(1,387,306)	8,290,651
	INTERNAL SERVICE FUNDS									
	District Services (616)	0	962,412	962,412	0	0	0	0	0	0
	Fleet Maintenance (692)	0	473,800	473,800	0	0	0	0	0	0
	Vehicle Replacement (693)	692,823	46,500	334,000	0	0	0	0	(287,500)	405,323
	Machinery/Equipment Replacement Fund (694)	829,953	114,436						114,436	944,389
	Fire Apparatus Replacement Fund (695)	220,000	1,700,000	1,700,000					0	220,000
	INTERNAL SERVICE FUNDS	1,742,776	3,297,148	3,470,212	-	-	-	-	(173,064)	1,569,712
	TOTAL CITY/DISTRICT FUNDS	53,993,108	88,241,387	84,671,250	0	0	0	(4,095,035)	(524,898)	53,468,210

**Assumptions Table for Revenue & Expenditures Projections
City & San Dieguito Water District FY2010 - FY2015 (Revise for FY11)**

Table used as a guideline to calculate projected revenues and expenditures for six-year financial plan

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Fund						
1 Property Taxes, Current Secured	24,444,942	24,444,942	2.0%	3.0%	3.5%	4.0%
2 Property Taxes in Lieu of VLF	5,105,327	5,083,374	2.0%	3.0%	3.5%	4.0%
3 Sales Tax Triple Flip	2,178,930	2,178,930	2.0%	3.0%	4.0%	5.0%
4 All Other Property Taxes	2,727,100	2,663,600	2.0%	2.0%	2.0%	2.0%
5 Sales and Use Tax	6,641,302	6,641,302	2.0%	3.0%	4.0%	5.0%
6 Transient Occupancy Tax (TOT) - Also Sand Fund 210	864,808	746,656	2.6%	2.0%	2.0%	2.0%
7 Short Term Vacation Rentals	80,000	175,912	2.0%	2.0%	2.0%	2.0%
8 Documentary Transfer Tax	280,000	280,000	2.0%	2.0%	2.0%	2.0%
9 All Franchise Taxes	2,115,435	2,146,850	2.0%	2.0%	2.0%	2.0%
10 Licenses and Permits	190,400	195,400	2.0%	2.0%	2.0%	2.0%
11 Motor Vehicle License Fees	150,000	169,984	2.0%	2.0%	2.0%	2.0%
12 All Other Intergovernmental - Fire Services Management Contract	292,148	338,170	2.0%	2.0%	2.0%	2.0%
13 Internal Cost Allocation Charges	1,419,564	1,495,143	2.5%	2.5%	2.5%	2.5%
14 Development Processing Fees	2,107,890	1,977,732	15.0%	29.1%	3.0%	3.0%
15 Use of Money (includes Investment Earnings)	741,020	736,563	2.0%	2.0%	2.0%	2.0%
16 Fines & Penalties/All Other Revenues	741,150	838,150	2.0%	2.0%	2.0%	2.0%
All Other City/District Funds						
17 Recreation Fund 146 (program fees/off-setting program costs)	1,038,235	1,038,235	1.0%	1.0%	1.0%	1.0%
18 Rec. Fund 146 Sr Nutrition Grant Prog (Fixed @ 92,000)	92,000	92,000	0.0%	0.0%	0.0%	0.0%
19 Rec. Property Rental (Fixed @ 128,000)	128,000	128,000	0.0%	0.0%	0.0%	0.0%
20 Gas Tax Fund 201	1,047,742	1,043,170	0.0%	0.0%	0.0%	0.0%
21 State Capital Grant Fund 203 - Dollar Estimate	1,019,128	635,981	655,060	674,712	694,954	715,802
22 Transnet - Dollar estimates Sandag projections	1,247,486	1,210,000	1,253,000	1,319,000	1,422,000	1,515,000
23 Transnet - Percentage estimates	-15.7%	-3.0%	3.6%	5.3%	7.8%	6.5%
24 Housing Funds CDBG Fund 222, Annual Grant Estimates	396,456	434,190	434,190	434,190	434,190	434,190
25 CDBG, Estimates in Percentages	0.0%	9.5%	0.0%	0.0%	0.0%	0.0%
26 Housing Authority Fund 226, Section 8 Housing Voucher	1,213,580	1,188,701	1,188,701	1,188,701	1,188,701	1,188,701
27 Housing Estimates in Percentages	1.8%	-2.1%	0.0%	0.0%	0.0%	0.0%
28 HOME Fund 227, Annual Grant	223,230	227,944	211,927	211,927	211,927	211,927
29 HOME (227)	8.5%	2.1%	-7.0%	0.0%	0.0%	0.0%
30 Solid Waste/HHW Fund 229	415,323	415,204	413,000	413,000	413,000	413,000
31 Development Impact Fees - Revenues based on # Units	25 units	25 units	70 units	85 units	100 units	120 units
32 State Special Law Enforcement Fund 262	100,000	100,000	100,000	100,000	100,000	100,000
33 Federal Special Law Enforcement Fund 263	78,112	0	0	0	0	0
34 Lighting and Landscape Districts Property Taxes - Same as General Fund Line 1						
35 SDWD Meter Service Charges/Water Sales	13.0%	13.0%	7.5%	7.5%	7.5%	4.0%
36 ESD Charges for Services/Assessments - FY10, FY11 & FY12 anticipates usage reduction; FY14 & FY15 anticipates rate increase	0.0%	0.0%	1.0%	2.0%	5.0%	5.0%
37 ESD Connection Fees	80,400	339,663	80,000	75,000	60,000	60,000
38 CSD Charges for Services/Assessments - FY10, FY11 & FY12 anticipates usage reduction; FY14 & FY15 anticipates rate increase	-2.25%	-2.0%	-2.0%	0.0%	5.0%	5.0%
39 CSD Connection Fees	85,425	51,255	51,255	51,255	51,255	51,255
EXPENDITURES						
40 Salaries/Benefits-Miscellaneous Employees & Lifeguards: contract expires 12/31/11	3.5%	3.5%	0.5%	1.0%	1.0%	1.0%
41 Salaries-Safety Firefighters: contract expires 12/31/09	0.0%	0.0%	1.25%	2.50%	2.50%	2.50%
42 Salaries-Safety Fire Chiefs: contract expires 6/30/10	5.1%	0.0%	1.25%	2.50%	2.50%	2.50%
43 PERS Employer Rates - Water Miscellaneous 2.7% @ Age 55 formula	11.059%	11.830%	14.2%	16.2%	18.0%	16.7%
44 PERS Employer Rates - City Miscellaneous 2.7% @ Age 55 formula	16.268%	15.741%	17.7%	16.9%	17.2%	17.0%
45 PERS Employer Rates - Fire Safety 3% @ Age 55 formula	19.046%	18.175%	22.8%	26.5%	29.5%	27.3%
46 PERS Employer Rates - Lifeguards 2.7% @ Age 55 formula	17.850%	16.407%	21.0%	24.7%	27.7%	25.5%
47 Employee Contribution to Employee's Rate -Water/City Misc.	4.4%	3.8%	5.0%	5.0%	5.0%	5.0%
48 PERS Employee Rates- City/Water Misc Pd for Employees	3.6%	4.2%	3.0%	3.0%	3.0%	3.0%
49 PERS Employee Rates- City Safety Paid for employees	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
50 PERS /EPMC Miscellaneous .08 x .08	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%
51 PERS /EPMC Safety .09 x .09	0.81%	0.81%	0.81%	0.81%	0.81%	0.81%
52 PERS Health Retirement \$/YR/employee	1,236	1,278	1,278	1,278	1,278	1,278
53 PERS-Survivor Benefit \$24 annually x # employees	24	24	24	24	24	24
54 Inflationary Increases (CPI)	2.0%	0-2.0%	0-2.0%	0-2.0%	0-2.0%	0-2.0%
55 Various materials and supplies	-20.1%	-7.8%	11.6%	2.0%	2.0%	2.0%
56 Various contracts other than CPI	2.0-3.5%	2.0-3.5%	2.0-3.5%	2.0-3.5%	2.0-3.5%	2.0-3.5%
57 Sheriff's Contract-County	2.0%	-4.0%	3.0%	5.0%	3.7%	3.7%

SUMMARY OF CHANGES TO CAPITAL IMPROVEMENT PROGRAM

A comprehensive review of all active capital projects was presented to Council on February 17, 2010 and is available on the Document Archive of the City’s website. The Six-Year Capital Plan is a forward looking planning document for capital needs (generally infrastructure). Projects that are fully funded do not appear in the plan. Staff is proposing a few modifications to the remaining five years of the six-year plan as discussed below.

Consultant Service and Studies

Staff is proposing the addition of one new project in this category – *Early MHCP Implementation* which is described in detail on page 3-11 of the Capital Improvement Plan

Staff has added \$75,000 of SDWD funding to the *H.T.E. Replacement Project* as an estimated costs of the San Dieguito Water District’s fair share of the cost of converting to a new enterprise system.

Drainage Projects – No changes proposed.

Wastewater Projects

Figures for the *ESD Share of Capital Project at the Encina Waster Pollution Control Facilities* have been updated based on current information from Encina. As a member agency of Encina Wastewater Authority, the City of Encinitas shares in all of the sewage treatment plant operating and capital costs. ESD's share is based upon the City's 4.84% ownership.

Public Facilities – No changes proposed.

Parks and Recreation – No changes proposed.

Streets and Rail

Due to reductions in TransNet revenues (per estimates provided by SANDAG), staff is proposing to discontinue the annual contribution of \$150,000/year to the *Traffic Safety/Calming Improvements*. Of the \$1,056,000 appropriated to this project to date, there is an unspent balance of \$990,000 which will allow the Council to proceed with various traffic/safety calming improvements as deemed necessary (see page 8-6 of the Capital Improvement Program).

While staff is able to maintain an increase in the annual contribution to the *Annual Street Overlay*, funding has been reduced in the outlying years from the original plan, due to anticipated reductions in Prop. 42 funds. Overall, funding has been revised as follows:

	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
Original	1,150,000	1,200,000	1,260,000	1,320,000	1,380,000
Proposed	1,150,000	1,200,000	1,210,000	1,255,000	1,315,000

Water Projects – No changes proposed.

SUMMARY OF PERSONNEL

There are several proposed changes to personnel during for FY2010-11. They include the results of the annual Classification Maintenance Project and several Department/Division reorganizations. This section of the agenda report also summarizes changes made to the City and San Dieguito Water District employee count made during the mid-year budget review.

2009-2010 Classification Maintenance Project

The Human Resources Division of the City Manager's Department is responsible for conducting routine maintenance on the City of Encinitas' position classification system. Human Resources has divided the City's position classification system into 3 different occupational categories (job families) and each year conducts a Classification Maintenance Project which reviews one of the three categories. This enables Human Resources to maintain the City's position classification system on a three year cycle. The schedule for the Classification Maintenance Project is intended to coincide with the City's budget cycle. Results of the 2009-2010 Classification Maintenance Project are identified as Items 1 through 4.

Item 1: Assistant to the City Manager (City Manager Department):

Current Classification/Pay Grade	Proposed Classification/Pay Grade
Assistant to the City Manager Grade 63	Deputy City Manager Grade 82
The approved biennial budget contains a reorganization of the City Manager's Department, including the reclassification of the Assistant to the City Manager position to a Deputy City Manager position. The original budget anticipated the reclassification as an Assistant City Manager to Grade 84 and has been revised to reflect the current proposed reclassification to a Deputy City Manager position at Grade 82.	
FY2010-11 Fiscal Impact: The increase in pay from a Grade 63 to Grade 82 is \$27,407. Due to budgeting at the higher anticipated level of 84, there is actually a budget savings of \$14,766	

Item 2: Human Resources Technician/Analyst I/II/III Classification (City Manager Department, Human Resources Division):

Current Classification/Pay Grade	Proposed Classification/Pay Grade
Human Resources Technician/Analyst I/II/III Grades 21/22/24	
	Human Resources Technician I/II Grades 13/21
	Human Resources Analyst I/II/III Grades 24/25/42
To provide an objective and expert review of the positions in the Human Resources department that were routinely scheduled for this cycle of the Classification Maintenance Project, the City employed independent classification and compensation consultants (Fox Lawson & Associates). The consultants recommended a distinct working technical classification of Human Resources Technician with multi-level compensation at grades 13 and 21 accompanied by a multi-level classification for positions performing professional Human Resources Analyst work at pay grades 24, 25, and 42. The results include the reallocation of .5 FTE Human Resources Technician/Analyst to Human Resources Technician II Grade 21 with no fiscal impact; 1.0 to Human Resource Analyst I Grade 24 with no fiscal impact; and 2.25 reallocated to Human Resources Analyst II Grade 25 with a fiscal impact of \$11,424. FY2010-11 Fiscal Impact: \$11,424	

Item 3: Finance Supervisor Classification (Public Works Dept, Water District):

Current Classification/Pay Grade	Proposed Classification/Pay Grade
Finance Supervisor Grade 41	Management Analyst I/II/III Grades 24/25/42
<p>The reorganization of the Public Works Department, (San Dieguito Water District) during FY2009-10 Mid-Year resulted with the reallocation of Finance Supervisor to Management Analyst and the elimination of the Finance Supervisor classification. The position is currently vacant resulting in a savings during the fiscal year.</p> <p>FY2010-11 Fiscal Impact savings: \$6,932</p>	

Item 4: Program Assistant Classification (Public Works Department, Water District):

Current Classification/Pay Grade	Proposed Classification/Pay Grade
Program Assistant I/II/III Grade 11/12/21	Finance Technician I/II/III Grade 13/21/22
<p>It is proposed that one of the three existing positions of the Program Assistant I/II/III Grades 11/13/21 in Public Works be re-allocated to a Finance Technician I/II/III classification at Grades 13/21/22.</p> <p>The Classification Maintenance Project findings revealed a change in the nature and level of work assigned to one of the multi-level Program Assistant I/II/III positions to be consistent with Finance Technician I/II/III, specifically cashiering functions performed with the Water District.</p> <p>FY2010-11 Fiscal Impact: No fiscal impact.</p>	

Proposed Reorganizations/Restructuring

The reorganization of certain Departments is proposed as follows items 5 through 8.

Information Technology/GIS Divisions Reorganization (City Manager Department)

Item 5: Information Technology Analyst (City Manager Department)

	Proposed New Position - Classification/Pay Grade
	Information Technology Technician I/II Grades 13/22
<p>In accordance with the City's Strategic Technology Plan and associated Work Projects, the City's use of technology has increased extensively over the past 6+ years:</p> <ul style="list-style-type: none"> • Numerous new business applications have been implemented • The City's network coverage has increased substantially • The Web presence has expanded to 10 websites and numerous online applications have been implemented • The supported servers have expanded from 5 to 24 • Additional support responsibilities have been added, such as webcasts, cell phones and hand-held devices, laptops, and audio/visual support. <p>While IT Division support responsibilities have increased correspondingly, actual headcount has decreased from 7.65 FTE's in July 2003 to 6.75 FTE's currently.</p> <p>Technical support duties are expected to further increase with the transition of citywide multi-function printer support from Finance to IT, additional audio-visual needs, expanded personal hand-held devices and applications, and other technology needs.</p>	

The current reduced IT staff has only been able to absorb additional responsibilities through overtime and the use of temporary contract help. As technology continues to be a critical part of the City's core infrastructure, mandatory levels of support are required to perform regular upgrades to servers, network components, and other technical infrastructure and maintain the substantial investment that has been made.

The current level of IT staffing is insufficient to meet all citywide technical support needs. The addition of an IT Technician is proposed.

Currently, IT Analyst level positions perform a wide range of technical tasks, including routine support. A more efficient approach is for lower-level positions to perform routine tasks and higher level positions to perform higher-skilled assignments.

The addition of a technician level position to assist with routine daily activities would allow staff members to focus on higher-level support needs and larger projects while minimizing staff overtime and the use of contract help. Support requests could also be handled in a timelier manner.

Proposed IT Technician duties include:

- Multi-function device operational support
- Level I/II help desk support (routine desktop requests/troubleshoot problems, audio-visual assistance)
- Help Desk and Operations documentation
- City Council meeting support
- Laptop updates
- PC deployments
- IT asset inventory tracking
- Support for mobile devices, scanners, printers, fax machines, peripherals.

FY2010-11 Fiscal Impact: \$57,263

Item 6: GIS Analyst (City Manager Department)

Current Classification/Pay Grade	Proposed Classification/Pay Grade
Intern , Grade 11	GIS Analyst I/II/III Grades 24/41/42
<p>As established by the City's Strategic Technology Plan and associated Work Projects, Geographic Information Systems (GIS) has been implemented extensively throughout the City. GIS is now mission critical for daily operations and for assisting the public and the GIS database serves as the master City database to track and maintain physical asset, infrastructure, and property information. Over the past 6+ years:</p> <ul style="list-style-type: none"> • Maintenance of data has increased by orders of magnitude with these new datasets added: <ul style="list-style-type: none"> ○ Water & Sewer infrastructure (~ 62,000 features) ○ Stormwater Infrastructure (~ 18,500 features) ○ Street Assets - e.g. trees, signs, sidewalks, etc. (~ 33,500 features) ○ Addresses, Sub-Addresses & Buildings (~ 51,000 features) ○ Fire data (~ 16,000 features; many more pending) ○ Park assets (~ 2500 features – not including trails, signs, or irrigation) ○ <i>Data maintenance is pending with the new landbase, including easements.</i> • Staff using GIS has increased from 11 to 119. GIS applications are 95% supported by the GIS Division. • Cityworks work order management system integrated with GIS did not exist in 2003. Now it is used by 55+ staff in Public Works Streets & Wastewater Divisions, SDWD, Clean Water, Traffic Engineering, 	

Fire & Parks. Cityworks is 100% supported by the GIS Division.

- Field solutions for work orders and inspections did not exist in 2003. Now Public Works Streets & Wastewater, SDWD, and Clean Water field crews use field tablets with Cityworks and GIS. Field tablets are 98% supported by the GIS Division.
- In 2003, 340 hours of support requests for staff were logged. In 2009, 3,443 hours of support requests for staff were logged.

While GIS has become ingrained in City operations, supporting resources have remained a combination of contract employees, consultants, college student ‘interns’, and 2.75 FTE staff. The impact of frequent contract employee turnover has been considerable, resulting in lost technical and business knowledge, added training costs, and lengthy ramp-up time. City Departments that rely on GIS assistance endure significantly decreased support and data maintenance lags and errors during transition times.

As GIS continues to be essential City infrastructure, ongoing support resources are vital. From both an efficiency and effectiveness standpoint, the City would better benefit from the consistent support of FTEs rather than contract positions in the GIS Division.

FY2010-11 Fiscal Impact: No fiscal impact, convert contracts costs to personnel costs

Increase existing .75 FTE to 1.0 FTE \$28,829

Reclassification of two existing .50 FTE Interns to GIS Analyst \$77,785

Finance Department Restructuring

Item 7 and 8: Finance Analyst (Finance Department):

	Proposed New Classification/Pay Grade
	Finance Analyst I/II/III Grade 24/25/42
Item 7: The Finance Department is proposing a reorganization that would combine two vacant part-time positions (a half-time accountant and a half-time finance technician) into a full-time Finance Analyst. This analyst would be responsible for coordinating all audits, grant programs, biannual fee and cost allocation studies and biannual GASB 45 actuarial analysis contract.	
Item 8: The Finance Department is also proposing reclassifying one Accountant in the Budgeting Division to a Finance (Budget) Analyst who would provide technical and professional level support in the preparation of the City’s budget and capital improvement program.	
FY2010-11 Fiscal Impact: \$3,426. If approved, the Finance (Budget) Analyst would be implemented at July 1 and the currently vacant Finance Analyst position would be filled January 2011.	

Marine Safety

Item 9: Seasonal Ocean Lifeguard (Fire Dept., Marine Safety Services Division):

Current Classification/Pay Grade	Proposed Classification/Pay Grade
Seasonal Ocean Lifeguard I/II Grade 11/12	Contract Seasonal Ocean Lifeguard I/II Grade L1/L2 \$14.75-\$20.94
Seasonal Sr. Ocean Lifeguard I/II Grade 21	Contract Seasonal Ocean Lifeguard I/II Grade SL \$18.80 - \$25.19
Staff proposes that classification titles for Seasonal Ocean Lifeguards (Ocean Lifeguard I/II and Senior Ocean Lifeguard) be eliminated from the City’s classification plan. Individual employment contracts for Seasonal Ocean Lifeguard employees would be utilized rather than personnel system budgeted full time	

equivalent (FTE) employees. Under this structure, the Fire Department would manage Seasonal Ocean Lifeguard staffing on the basis of approved personnel budgets rather than budgeted Seasonal Ocean Lifeguard FTE's.

Summary of Approved Positions: City of Encinitas and San Dieguito Water District

Classification	F.T.E.
FY2009-10 Approved Full Time Equivalents (F.T.E.'s):	241.65
FY2009-10 Mid-Year Review – San Dieguito Water District Funds	
Reclassification of Finance Supervisor to Management Analyst I/II/III	
Reclassification of Utility & Maintenance Specialist to Engineering Specialist	
Elimination of Department Administrative Support Coordinator	-1.00
Adjusted Approved F.T.E.'s	240.65
Item 1: Reclassification of Assistant City Manager to Deputy City Manager	
Item 2: Reclassification of .5 Human Resources Technician/Analyst I/II/III to .5 Human Resources Technician I/II	
Item 2: Reclassification of 3.25 Human Resources Technician/Analyst to 3.25 Human Resources Analysts I/II/III	
Item 3: Reclassification of Finance Supervisor to Management Analyst I/II/III	
Item 4: Reclassification of Program Assistant I/II/III to Finance Technician I/II/III (Water District)	
Item 5: Add one Information Technology Technician I/II	1.00
Item 6: Reclassification of two .5 Intern positions to 1.0 GIS Analyst I/II/III	
Item 6: Increase .75 GIS Analyst I/II/III to 1.0	.25
Item 7: Reclassification and reorganization of .5 Finance Technician I/II/III and a .5 Accountant I/II to a 1.0 Finance Analyst I/II/III	
Item 8: Reclassification of 1.0 Accountant I/II to 1.0 Finance Analyst I/II/III	
Item 9: Elimination of 5.0 Seasonal Ocean Lifeguards to Contract Seasonal Ocean Lifeguards	-5.00
Adjusted Full Time Equivalents (F.T.E.'s)	236.90

Fiscal Impact

Item	Department/Division	Position	Fiscal FY11:
1	City Manager/City Manager	Deputy City Manager	-14,766
2	City Manager/Human Resources	HR Technician/Analysts	11,424
3	Public Works/Water District	Management Analyst	-6,932
4	Public Works/Water District	Finance Technician	No fiscal impact
5	City Manager/IT Division	IT Analyst	57,263
6	City Manager/GIS Division	GIS Analyst reclass	No fiscal impact
6	City Manager/GIS Division	GIS Analyst add .25	No fiscal impact
7,8	Finance Department	Finance Analyst	3,426
9	Fire Department/Marine Safety	Contract Seasonal Ocean Lifeguards	None
Total FY2010-11:			\$50,415