

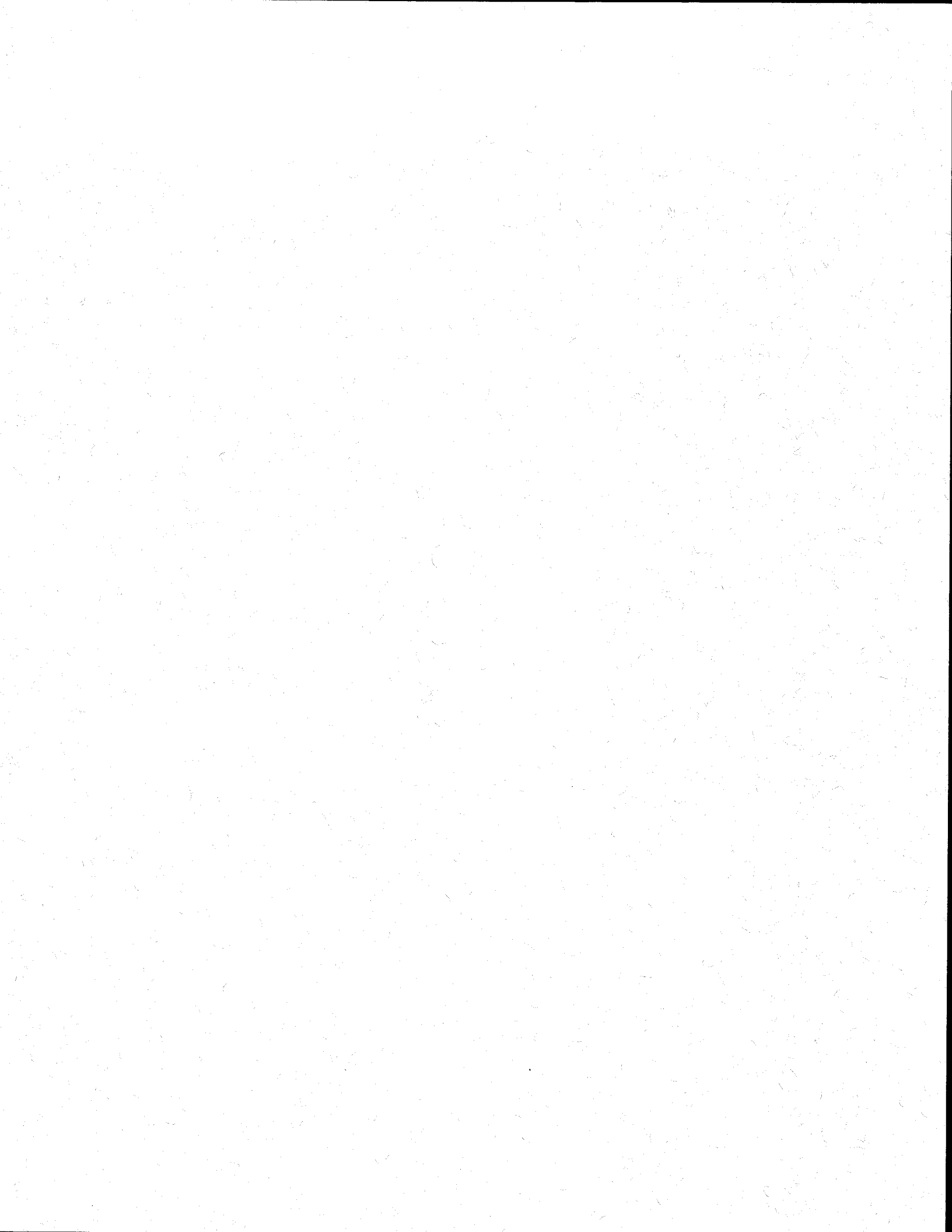
CITY OF SALINAS



ADOPTED BUDGETS

OPERATING and CAPITAL IMPROVEMENT

FY 2005 - 2007



CITY OF SALINAS

Adopted Budgets

Operating and CIP

2005 - 2007



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

Vanessa W. Vallarta
City Attorney

Daniel Ortega
Police Chief

Allan Stumpf
Director of Redevelopment

Rob Russell
Deputy City Manager

Ed Montez
Fire Chief

Tom Kever
Director of Finance

Jorge Rifa
Deputy City Manager

CITY OF SALINAS

Organization Chart

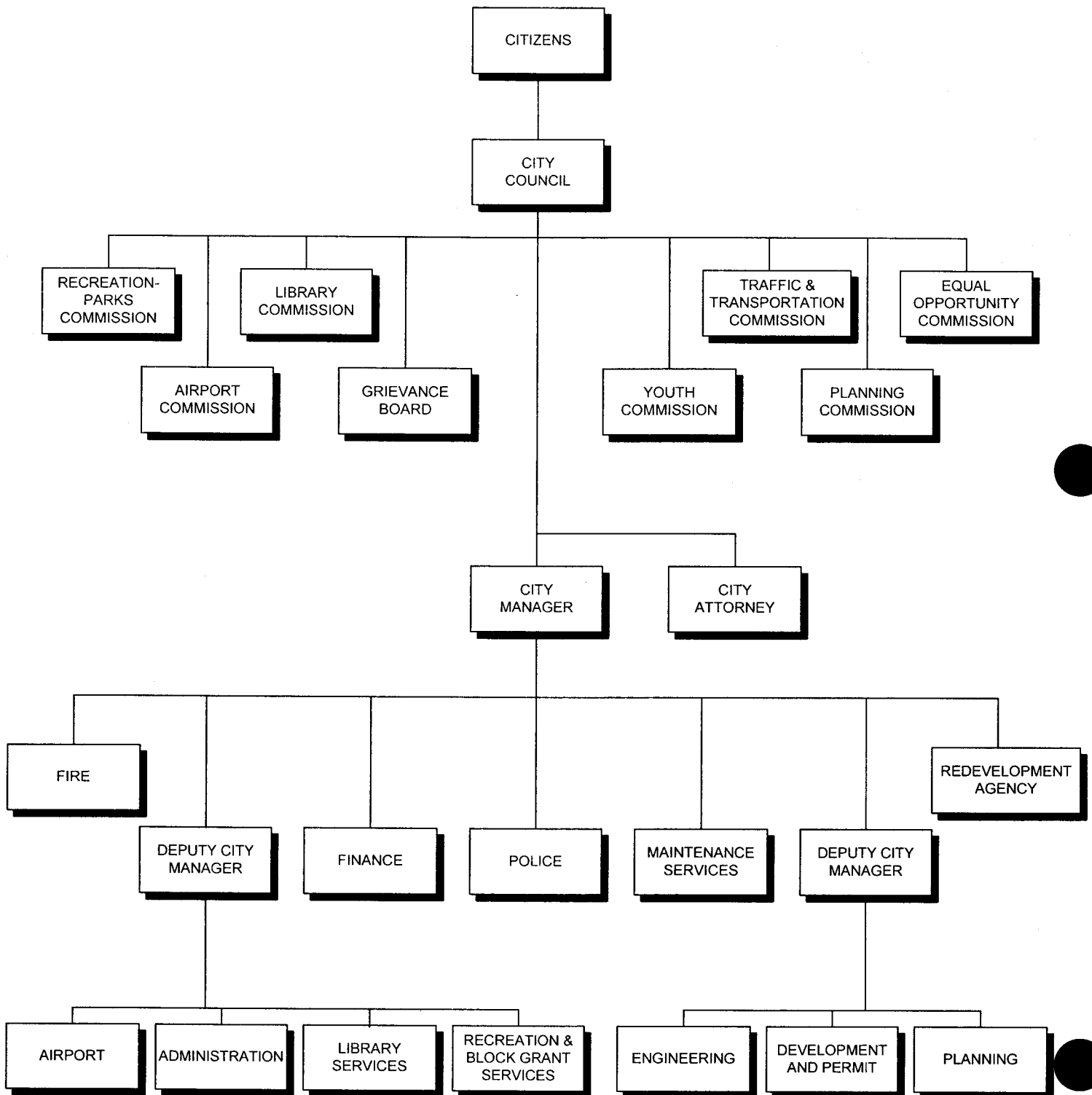


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MEMORANDUM

DATE: June 3, 2005

TO: Mayor and City Council

FROM: Dave Mora, City Manager

SUBJECT: FY 2005-06 / 2006-2007 RECOMMENDED BUDGET

Introduction

The recommended City budget for FY2005-2006 represents the end of the most difficult few years in the City's financial history. The City Council's formal adoption of a budget that was tentatively approved after the November 2004 election will firmly establish the long-term financial integrity and stability of the City's General Fund. Unfortunately, this will be accomplished at a terrible cost to residents in the reduction of services and to City employees in the loss of jobs.

The extent of the reductions in services is staggering – twenty-five (25%) percent reductions in General Fund services and the elimination of one hundred and twenty-three (123) full-time equivalent positions from the City workforce. Although there has and continues to be significant discussion regarding the closure of the City's libraries, the decision to close libraries was the last major budget balancing action that also included the elimination of management positions in all City departments, a reorganization of services that eliminated three (3) City departments, the reduction of maintenance services and programs by one-third, closing all but three (3) City recreation centers, leasing the Twin Creeks Golf Course to First Tee, the elimination of neighborhood services, graffiti abatement, support for non-profit agencies, and employee concessions ranging from two (2%) percent to seven and one-half (7.5%) percent. Although there has been significant discussion of these reductions over the last two (2) years, the extent of the damage done to the City must be reiterated and understood as the reductions in programs and services are negatively impacting the quality of life for the residents of Salinas.

In spite of the difficulties of the past, the challenge is now to look forward and deal with the reality of City finances. Beginning on June 7, the City Council will review and consider adoption of the final, recommended FY 2005-2006 / FY 2006-2007 budget for the City of Salinas and the Salinas Redevelopment Agency. The 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 recover from the financial crisis that has rocked the City's finances for over two years. Both the FY 2005-2006 and FY 2006-2007 portions of the budget are balanced, albeit somewhat precariously in the second year.

The formal adoption of the FY 2005-2006 budget will be somewhat anticlimactic. The document submitted with this cover message is consistent with direction established after the November 2004 defeat of the sales tax and business utility users tax proposals. Prior to the November election, the City Council had identified the programs and services that would have to be eliminated if the tax

measures did not pass. The defeat of the tax measures at the polls was followed by action to formally eliminate programs and services, including the closing of the City's libraries. There were no alternatives to the reductions as there is no revenue to support the programs on a continuing basis. The full list of reductions is detailed immediately following this transmittal memorandum.

There are two (2) significant differences from the previously approved reductions. First, the community response to the Rally Salinas challenge has been successful beyond the original \$500,000 goal for the campaign. The recommended budget includes a \$650,000 library operations budget for the first six (6) months of the fiscal year. The Rally Salinas campaign will keep libraries open on a limited basis and save not only services but also fourteen (14) employees from layoff.

Second, the City's paramedic program will be continued with only minimal General Fund support for the program. The minimum General Fund support recognizes that the paramedic personnel are also City firefighting personnel and that their employment with the City continues even without a paramedic program. Fire management staff, working in collaboration with Departmental personnel, has identified and secured alternative funding sources for the paramedic program. Although a very long-time in coming, there is now recognition that County CSA74 funds should be more aggressively used to support local jurisdictions' paramedic services in Monterey County. CSA74 funds are collected County-wide through a \$12 per parcel assessment. Approximately \$100,000 in CSA74 funds will be made available to Salinas through the remainder of calendar year 2005 to support the paramedic service. (As a point of reference, with over 30,000 parcels in Salinas, over \$360,000 in CSA74 funds are paid by Salinas taxpayers.) Additionally, the current ambulance service provider, American Medical Response, has negotiated a contract with the City that will provide over \$100,000 in revenue for paramedic services for the balance of 2005. The recommended budget assumes that those sources of revenue will be available on a continuing basis throughout the remainder of FY2005-2006 and on a continuing basis thereafter for the support of paramedic services.

The recommended FY2005-2006 budget also includes funding for three (3) new and significant items. The one (1) item with an impact on the General Fund is the one-time investment required for the recruitment and training of as many as fifteen (15) new Fire Department personnel as at least that many incumbent City Fire Department personnel retire during the next twelve months. The retirements will coincide with the implementation of the enhanced public safety retirement benefit for IAFF and FSA represented employees. The estimated cost of recruitment and one-time payment of accrued benefits for retiring personnel is \$855,000

The other two (2) new items do not have a General Fund impact. FY2005-2006 will include federal funding for the joint City / County Gang Task Force efforts. The funds were awarded to the City after a concerted effort on the part of both the City and County working with Congressperson Farr and US Senators Boxer and Feinstein. The federal funds will add six (6) police officer positions to the City's Police Department.

The final new item is opening and operation of the downtown parking structure. This budget includes a recommendation to establish a Downtown Parking District Enterprise Fund that will

include the full costs and revenues for the parking structure, and ultimately a program for all downtown parking. City and Redevelopment Agency staff are working with the Oldtown Association on this major initiative for downtown Salinas.

Financial Condition

The recommended budget is balanced and assumes that there will not be significant new revenues available for the General Fund. Although the previously mentioned reductions have a major impact on achieving a balanced budget, other key elements must also be recognized, as those elements are fundamental to the long-term, permanent stability of the City's General Fund. Just as the economy, increasing PERS rates, increasing health insurance costs, state raids on local revenue, and Monterey County billings came together to force service reductions in order to achieve a permanent, balanced budget, there are now positive changes in some of those same elements that help provide stability to the City's financial condition.

The General Fund revenue estimates for FY2005-2006 assume the continuation of the modest economic growth that began in FY2004-2005. The growth is long overdue; best evidenced by the fact that City sales tax revenue actually declined for two (2) consecutive years. The revenue assumptions also factor in the consequences of State Proposition 1A, passed by the voters in November 2004. This amendment to the State Constitution establishes specific rules that prohibit the State of California from continually raiding local government revenue beginning in FY2006-2007. The State will only be able to raid City resources with 2/3 votes of the legislature, a guaranteed repayment within three (3) years, and specific limitations on frequency (twice in any ten-year period) and amounts that can be taken.

Long-term financial stability also includes assumptions that PERS rates peak in FY2005-2006 and that health costs do not increase at the pace of the last couple of years. The PERS rate issue, primarily a function of the PERS investment returns, literally follows the broader national economy and the stock market, with the actual impacts trailing by as much as two (2) years. The simple equation – as the stock market goes down, PERS rates go up – as the stock market goes up, PERS rates go down. The market is up and shows signs of a continuing modest upward growth. The modest upward growth will result in PERS rates reaching a peak, followed by decreases in future years.

As of this writing, the single unknown impact is that of the County of Monterey. There are at least three (3) major issues associated with the County. First, although State legislation has specifically defined limits for booking fee charges, there will undoubtedly be a debate between the County and cities as to the application of that definition. Second, 911 costs continue to spiral far beyond growth in local government budgets, CPI, or any other customary indicator. Third, the City's work with the County to secure a fair share of CSA74 support for the City paramedic service continues and has yet to be finally resolved. The recommended budget assumes \$100,000 from this source of funds.

Balancing Expenditures (Programs and Services) with Revenues

Fundamental to the concept of a balanced budget is the assumption that expenditures do not exceed revenues. The recommended budget focuses on the one side of the equation that is for the most part both predictable and manageable – expenditures. The expenditure estimates for FY2005-2006 are based on historical patterns and on the known impacts of existing commitments such as labor agreements and contracts for services. There is little, if any, flexibility in the recommendations for expenditures. The recommended budget is the product of numerous public meetings and seemingly endless discussion that has taken place since early 2003. As previously stated, there are no significant surprises in the budget. Program and service level reductions have been items under discussion for over two (2) years. That being the case, the expenditure side of the budget is not constructed with options.

The revenue side of the budget is one that is significantly beyond the control of the City Council. Those revenue issues that the Council could legally review were identified, analyzed, and changed throughout the last year. All possible fees for service have been reviewed with resulting increases in fees and the institution of new fees were appropriate. However, State law prohibits the City Council from looking beyond fees for services. General Fund revenue taxes (e.g. business license tax) may only be changed by a vote of Salinas' voters.

The result of the last year's efforts to maximize fees and charges revenue has not significantly enhanced the City's revenue base. The most basic and fundamental City services are not subject to fees and charges. Public safety and quality of life library, recreation, and parks services are generally supported by General Fund tax revenue. The City of Salinas does not have a strong revenue base given its existing tax sources. This fact is evidenced in the overall City General Fund revenue per capita. The per capita revenue available is the core of the City's inability to provide the level and quality of services that are rightly due to the residents of Salinas. There are not sufficient funds to provide those services, as evidenced by the following:

<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	152,677*	\$447
FY 2005-06	154,500*	\$428

* Estimated

The "spike" in per capita revenue for FY2004-2005 is directly attributable to the advance payment of VLF that has been credited to FY2004-2005 and to the one-time gains associated with the State implementation of VLF/sales tax/property tax shifts. The total one-time revenue in FYT2004-2005 is \$3,634,700, almost \$24 per capita. Without the one-time revenue (most of which has been dedicated to balance the City's remaining structural deficit for the next two years), the FY2004-2005

General Fund revenue per capita would be \$423.

Recommended Budget

The recommended budget reflects programs and services that are fully funded both in FY2005-2006 and future years. Although there remain a couple of significant issues (use of VLF advance to balance remaining structural deficit) that could jeopardize financial stability, City staff is confident that other factors (improving economy) will be sufficient to avoid further reductions in City General Fund supported activities. Unfortunately, what remains does not in any way meet the basic quality of life services that should be provided to City residents. The recommended budget is all that can be provided given the City's existing revenue sources. The FY2005-2006 recommended budget finalizes over fifteen million (\$15,000,000) in General Fund service reductions and the elimination of 123.25 full time equivalent positions from the City workforce. The details of the reductions have been matters of discussion for over two (2) years and need not be reiterated. The budget document adequately describes what has been lost.

Goals and Objectives

Past budget submissions have referenced the City Council's goals and objectives as the budget was deliberately developed consistent with those goals and objectives. The current submission attempts some degree of consistency to the extent that it discusses those goals and objectives. However, the scope of the service and program reductions have made full consistency with goals and objectives impossible with the exception of public safety.

Retirement Programs Costs

Increases in retirement costs are one of the most significant impacts on the City's budget. All public safety and the majority of City non-public safety employees participate in the State CALPERS retirement program. City public safety employees pay nine (9%) percent of base salary into PERS; non public safety employees pay seven (7%) percent. PERS rates will increase again in FY 2005-2006, because of prior years' losses in the PERS investment portfolio. PERS has advised that at least eighty (80%) percent of the increases in PERS rates is attributable to investment losses, not to changes in employee benefits. The good news about PERS rates is that the modest, national economic recovery has resulted in modest gains in the PERS investment portfolio. With net gains by PERS on its investments, it is anticipated that PERS rates are at a peak in FY2005-2006 and future years will at least be stable with eventual modest rate reductions. This is evidenced in the PERS rates for both Police and Miscellaneous noted below. The City's Fire rate has "trailed" the other contracts with its peak coming in FY2006-2007.

<u>Category</u>	<u>FY 2004-2005</u>	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>
Police	24.49%	28.315%	28.60%
Fire	19.913%	26.340%	31.50%
Miscellaneous	9.186%	10.611%	10.700%

FY 2005-06 / FY 2006-07 RECOMMENDED BUDGET

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The New York Life Retirement program continues to be more costly for non-public safety personnel, reflecting the more conservative (i.e. bonds) nature of the NYL investments and the fact that it is a "closed plan". The New York Life Retirement Program rate was 15.360% in FY 2004-05, will be 22.02% in FY 2005-2006, and is estimated to be 20.00% in FY 2006-2007.

Overall Investments

The total FY 2005-2006 recommended appropriation for all funds is \$114,722,300. The recommended General Government appropriations total \$71,152,800 including General Fund Operating Budget appropriations of \$68,100,400. The remaining recommended investments in FY 2005-2006 include:

Internal Services Funds	\$ 5,797,300
Enterprise Operations	\$ 8,317,400
Assessments and Maintenance Districts	\$ 5,694,200
Federal Block Grant and HOME Program	\$ 4,685,050
Grant Programs	\$ 666,900
Deferred Compensation and Retirement	\$ 71,200
Debt Service	\$ 1,839,800
Redevelopment Agency	\$ 4,022,300
Capital Improvement Program	\$12,475,350

It is recommended that City Council adopt resolutions as required to authorize appropriations in these amounts for FY 2005-2006.

The total FY 2006-2007 recommended appropriation for all funds is \$113,404,500. The recommended General Government appropriations total \$74,330,300 including General Fund Operating Budget appropriations of \$71,481,700. The remaining recommended investments in FY 2006-2007 include:

Internal Services Funds	\$ 5,970,900
Enterprise Operations	\$ 8,483,000
Assessments and Maintenance Districts	\$ 4,751,300
Federal Block Grant and HOME Program	\$ 3,438,100
Deferred Compensation and Retirement	\$ 74,300
Debt Service	\$ 1,836,400
Redevelopment Agency	\$ 3,441,900
Capital Improvement Program	\$11,078,300

General Fund Revenues

After a three (3) year period from FY2001-2002 to FY2003-2004 of overall "flat" or actual

FY 2005-06 / FY 2006-07 RECOMMENDED BUDGET

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decreased General Fund revenue, the City is beginning to experience modest growth in overall General Fund revenue. Current estimates for FY2004-2005 include a significant one-time spike primarily associated with the advance payment to the City of previously unpaid VLF funds. There are additional one-time funds associated with the other VLF and sales tax trades imposed on the City by the State.

General Fund revenues are estimated at \$66,143,300 in FY 2005-2006 with four (4) major revenue categories representing almost seventy-seven (77%) of that revenue. A review of the Financial Summaries / Revenue Estimates in the Recommended Budget, however, gives quick of evidence of the bizarre nature of local government revenue that is left to the whims of the State of California in terms of actual distribution of revenue. The operative word for local government revenue has become "in-lieu". The dictionary definition of "in-lieu" is quite simply "instead". So the City of Salinas, instead of receiving its State-promised and guaranteed Vehicle License Fee, will instead get property tax. The City, instead of receiving its full allocation of the one (1%) percent sales tax, will instead get an "in-lieu" amount of ¼ of the total amount due because the State used local government sales as a pledge to repay the State's bonds that have been issued to cover State debt.

Those major FY2005-2006 General Fund revenue categories can therefore be classified in at least two ways. The traditional (no State interference) allocation would be:

Sales Tax	\$22,400,000	(33.9%)
Property Tax	\$10,329,600	(15.5%)
Motor Vehicle License Fees	\$10,159,500	(15.4%)
Utility Users Tax	\$ 7,870,000	(11.9%)
 Total of Major Revenue Sources	 \$50,759,100	 (76.7%)

The required (State dictated) presentation is as follows:

Sales Tax – 75%	\$17,400,000	(26.3%)
Sales Tax In-Lieu – 25%	\$ 5,000,000	(7.6%)
Property Tax (including \$8,934,500 VLF In-Lieu)	\$19,264,100	(29.1%)
Utility Users Tax	\$ 7,870,000	(11.9%)
Motor Vehicle License Fees	\$ 1,225,000	(1.8%)
 Total of Major Revenue Sources	 \$50,759,100	 (76.7%)

Other General Fund resources for FY 2005-06 include:

Other Revenue	\$15,384,200
Interfund Transfers	(\$ 349,000)

FY 2005-06 / FY 2006-07 RECOMMENDED BUDGET

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Operating Reserve / Pre-payment / VLF	\$ 2,306,100
Capital Projects Reserve	\$ 563,900

The FY 2005-2006 General Fund revenue projections reflect a slight decrease in overall revenue, primarily reflective of the already discussed significant one-time revenue in the FY2004-2005 that will obviously not reoccur in FY2005-2006.

General Fund revenues are estimated at \$70,138,200 in FY 2006-2007. As described above for FY2005-2006, the second year General Fund revenues can be described in the following manner:

The traditional (no State interference) allocation would be:

Sales Tax	\$23,200,000	(33.1%)
Property Tax	\$12,640,000	(18.0%)
Motor Vehicle License Fees	\$10,860,000	(15.5%)
Utility Users Tax	\$ 7,980,000	(11.4%)
 Total of Major Revenue Sources	 \$54,680,000	 (78.0%)

The required (State dictated) presentation is as follows:

Sales Tax – 75%	\$18,000,000	(25.7%)
Sales Tax In-Lieu – 25%	\$ 5,200,000	(7.4%)
Property Tax (including \$VLF In-Lieu)	\$22,200,000	(31.7%)
Utility Users Tax	\$ 7,980,000	(11.4%)
Motor Vehicle License Fees	\$ 1,300,000	(1.8%)
 Total of Major Revenue Sources	 \$54,680,000	 (78.0%)

Other General Fund resources for FY 2006-07 include:

Other Revenue	\$15,458,200
Interfund Transfers	(\$ 154,000)
Operating Reserve / Pre-payment / VLF	\$ 1,497,500
Capital Projects Reserve	\$ 559,900

General Fund Operating Reserve / SVSWA Pre-Payment / VLF Advance

The three (3) year strategy adopted in April 2003 included the use of all City General Fund Operating Reserves and the SVSWA Pre-Payment in an attempt to cushion the impacts of the required reductions. That strategy has been implemented and to some extent augmented.

The April 2003 assumptions that identified the City's financial problems unfortunately proved too conservative. A major change in the original forecast was the State action regarding VLF. When the State of California unilaterally reduced vehicle license fees, the State guaranteed to local government that in-lieu revenue would be provided to cities and counties. This was done in recognition that this tax reduction did not impact State government. VLF was and continues to be a local tax.

The politics associated with the continuing deficit, reinstatement of the VLF, the recall of Governor Davis, and the election of Governor Schwarzenegger resulted in local government not being paid by the State for the full VLF due in FY2003-2004. When the smoke screens cleared in Sacramento, local government was "promised" that the amount due in FY2003-2004 would be paid in FY2006-2007. Few local governments could afford this delay in payment. The League of California Cities responded with the sponsorship of advanced funding bond program in which the City of Salinas participated.

The net result was FY2004-2005 receipt of the past due funds. These VLF funds have been set aside to balance the remaining \$1,000,000+ structural deficit in the City's General Fund in FY2005-2006 and FY2006-2007. This has been done in order to avoid further reductions in City services and in anticipation that the major problems associated with the General Fund deficits have been permanently addressed with the program and service level reductions already in place.

State Budget Impacts

Last November's passage of Proposition 1A has resulted in the discussion of the State impacts being significantly less than in prior years. The FY2005-2006 budget includes the increased property tax shift (\$1,541,400) from the City to the State provided for in Proposition 1A. This additional shift does not continue after FY2005-2006 and the Proposition 1A limitations will make the State much less of a negative impact on City General Fund resources in the future. However, the State will continue to shift the original early 1990s ERAF amounts (\$2,750,000 annually) with increased losses to the City each year.

County of Monterey Impacts

Unlike the State, there are no guarantees that the County of Monterey will attempt to control its charges to the cities of Monterey County. The initial booking fee charge delivered to cities for FY2005-2006 does not seem consistent with State legislation defining the extent of the booking fee that can be charged. Other than the booking fee limitations defined in State law, there are no other State mandated limitations. The record of the County continuing to charge cities and not looking to the residents of the unincorporated area of the County to pay any additional taxes remains intact. It is obvious that the County has taken on the State government model of passing down costs for services rather than attempting to control its own costs to any significant degree.

General Fund Expenditures

The recommended FY 2005-2006 General Fund operating budget is \$68,100,400. Public Safety expenditures (Police and Fire Departments) represent 64.9% of the Operating Budget.

The recommended General Fund operating budget by department/service activity is as follows:

Police	\$30,708,050	(45.1%)
Fire	\$13,502,450	(19.8%)
Maintenance Services	\$ 7,564,300	(11.1%)
Non-Departmental	\$ 4,010,200	(5.9%)
Finance	\$ 3,019,000	(4.4%)
Development & Permit	\$ 2,868,200	(4.2%)
Recreation - Parks	\$ 2,384,500	(3.5%)
Development & Engineering	\$ 2,036,700	(3.0%)
Administration	\$ 1,099,600	(1.6%)
City Attorney	\$ 424,300	(0.6%)
City Council	\$ 201,700	(0.3%)
Block Grant and Housing	\$ 175,800	(0.3%)
Library	\$ 105,600	(0.2%)
Total	\$68,100,400	(100.0%)

Employee Services expenses in FY 2005-2006 will represent 82.93% of the General Fund budget. This percentage has remained relatively stable since it was first tracked in FY 1997-98 when 82.6% of the General Fund budget was dedicated to Employee Services.

Employee Services	\$56,475,850	(82.9%)
Supplies and Materials	\$ 1,841,750	(2.7%)
Outside Services	\$ 7,157,000	(10.5%)
Other Charges	\$ 2,330,300	(3.4%)
Capital Outlay	\$ 295,500	(0.5%)
Total	\$68,100,400	(100.00%)

The recommended FY 2006-2007 General Fund operating budget is \$71,481,700. This investment assumes the continuation of all FY2005-2006 programs and services. There are no new programs or services recommended in FY2006-2007, as the City's current General Fund revenue base will only be sufficient to maintain services, not enhance or add services.

The recommended General Fund operating budget by department/service activity is as follows:

FY 2005-06 / FY 2006-07 RECOMMENDED BUDGET

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Police	\$32,816,950	(45.9%)
Fire	\$13,823,050	(19.3%)
Maintenance Services	\$ 7,865,900	(11.0%)
Non-Departmental	\$ 4,035,200	(5.7%)
Finance	\$ 3,124,100	(4.4%)
Development & Permit	\$ 3,029,000	(4.2%)
Recreation - Parks	\$ 2,446,000	(3.4%)
Development & Engineering	\$ 2,248,800	(3.1%)
Administration	\$ 1,134,400	(1.6%)
City Attorney	\$ 450,300	(0.6%)
City Council	\$ 217,300	(0.3%)
Block Grant and Housing	\$ 185,100	(0.3%)
Library	\$ 105,600	(0.2%)
Total	\$71,481,700	(100.0%)

Other Funds

In addition to the General Fund status and highlights already discussed, the recommended budget provides expenditure plans for all other City financial activities.

Internal Services

The three (3) Salinas Internal Service funds include all City expenditures related to insurance activities. The Internal Service Programs are four (4) in number including administration. The recommended FY 2005-2006 and FY 2006-2007 expenditures by program are as follows:

	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>
Administration	\$ 337,900	\$ 361,500
General Insurances	\$ 612,400	\$ 622,400
Workers Compensation	\$ 4,142,000	\$ 4,252,000
General Liability	\$ 705,000	\$ 735,000
Total	\$ 5,797,300	\$ 5,970,900

Enterprise Operations

The recommended budget includes eight (8) separate enterprise fund operations, including a new Downtown Parking Enterprise Fund. The Golf Course Enterprise Fund is separated into the Fairways and Twin Creeks operations as a consequence of the transfer of the Twin Creeks operations to First Tee. The Twin Creeks budget is limited to Debt Service.

The Enterprise Fund operations exist to assure that expenditures are fully funded from revenues generated by the activity so that no City General Fund subsidy is required. An exception to this

FY 2005-06 / FY 2006-07 RECOMMENDED BUDGET

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policy is the General Fund advance (loan) to the Golf Course Fund. Although the transfer of Twin Creeks has eliminated the need for General Fund subsidy for that course, the Fairways Golf Course continues to require a General Fund subsidy. It is staff's intention to review alternatives for the operation of the Fairways course early in the fiscal year in order to permanently eliminate the General Fund subsidy no later than June 30, 2006.

The recommended FY 2005-2006 and FY 2006-2007 Enterprise Operations appropriations are:

	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>
Municipal Airport Fund	\$ 788,400	\$ 804,700
Twin Creeks Golf Course	\$ 590,000	\$ 589,600
Fairways Golf Course	\$ 1,793,400	\$ 1,834,000
Industrial Waste	\$ 1,114,600	\$ 1,069,500
Sanitary Sewer	\$ 2,238,900	\$ 2,317,900
NPDES Storm Drain Sewer	\$ 645,900	\$ 674,900
NPDES Street Sweeping	\$ 580,200	\$ 600,900
Hitchcock Road Water Utility	\$ 50,000	\$ 50,000
Downtown Parking	\$ 516,000	\$ 541,500
Total	\$ 8,317,400	\$ 8,483,000

Assessment and Maintenance Districts

The Assessment and Maintenance District portion of the budget provides an accounting for eight (8) City maintenance districts, two (2) Business Surcharge Districts, and all long-term assessment districts financing activities. The Monte Bella District is new to the recommended budget. The Downtown Mall maintenance is now the complete responsibility of the Oldtown Salinas Association and has therefore been removed from the budget. The two (2) Business Districts – Oldtown Salinas and SUBA (Salinas United Business Association) are detailed separately.

The maintenance districts provide funds specifically dedicated to maintenance services in areas of collection. Financial and accounting administration of all districts is maintained in the City Finance Department. Administration of the actual maintenance services is the responsibility of the Public Works Department.

The Old Town Business Improvement District provides partial financing for support of the Oldtown Salinas Association and its various programs. A \$50,000 contribution from the Salinas Redevelopment Agency also supports the Association in FY2005-2006.

The SUBA (Salinas United Business Association) District provides partial financing for SUBA's efforts. An annual \$50,000 contribution from the Salinas Redevelopment Agency is also recommended to support SUBA in FY2005-2006 and FY2006-2007.

The final portion of the Assessment and Maintenance District budget accounts for the administration of various assessment district bonds. The bonds are not General Fund liabilities. The bonds have

FY 2005-06 / FY 2006-07 RECOMMENDED BUDGET

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been issued for different improvements generally associated with new development throughout the city. The City Finance Department provides financial and accounting administration.

The recommended FY 2005-2006 and FY 2006-2007 appropriations for the Assessment and Maintenance Districts are:

	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>
Administration	\$ 110,400	\$ 114,200
Woodside Park	\$ 48,200	\$ 33,600
Airport Business Park	\$ 18,000	\$ 16,000
Northeast Salinas	\$ 446,800	\$ 446,800
Harden Ranch	\$ 146,900	\$ 146,900
Vista Nueva	\$ 82,000	\$ 26,500
Mira Monte	\$ 86,800	\$ 86,800
Monte Bella	\$ 80,000	\$ 160,000
Oldtown Salinas Association	\$ 120,000	\$ 70,000
Salinas United Business Association	\$ 150,000	\$ 150,000
Assessment District Bonds	\$4,405,100	\$3,500,500
Total	\$5,694,200	\$4,751,300

Block Grant

The recommended Block Grant budget is presented in the amount already approved by the City Council at its FY 2005-2006 Block Grant public hearings held earlier this year. The recommended budget includes appropriations consistent with the actions taken by City Council.

Housing

No General Fund revenues are involved in the City's investments in a broad range of housing alternatives for Salinas City residents. The FY 2005-2006 budget of \$4,297,350 and the FY 2006-07 budget of \$2,434,600 include investments in rehabilitation, the First Time Homebuyers Program, rental housing, and cooperative efforts with local housing providers and advocates.

The recommended investments are as follows:

	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>
Administration	\$ 528,350	\$ 552,500
Rehabilitation	\$1,144,000	\$1,157,100
First Time Homebuyers	\$ 590,000	\$ 590,000
Rental Housing	\$ 600,000	
CHDO	\$1,300,000	
Alisal Area Housing	\$ 135,000	\$ 153,000
Total	\$4,297,350	\$ 2,434,600

Salinas Redevelopment Agency

Both the Central City and Sunset/Buena Vista Redevelopment project areas continue to achieve significant progress consistent with the goals and objectives of the Agency.

The Central City project area begins the new fiscal year with two (2) major work products at the edge of completion – the Esparza multi-screen theatre complex and the downtown parking structure. The completion of both these projects provides further evidence of the progress toward the full implementation of the Central City redevelopment plans. The new fiscal year will include continued efforts to implement the Intermodal Transportation Plan, develop and implement a Downtown Parking Management Plan, finalize a Disposition and Development Agreement with the 100 block hotel developer, and further downtown area housing initiatives.

The Sunset/Buena Vista work program continues with the phase of the Streetscape Planter Project, Jazz-Up and Façade Improvement and continued efforts working with SUBA (Salinas United Business Association) to organize and implement business and economic initiatives in the Sunset/Buena Vista area. The Sunset/Buena Vista work program also continues funding for two (2) new police officer positions.

Total recommended Redevelopment Agency FY 2005-2006 appropriations for operations and debt service are \$3,157,100 for the following project areas:

Central City	\$2,044,300
Sunset/Buena Vista	\$1,112,800

Total recommended Redevelopment Agency FY 2006-2007 appropriations for operations and debt service are \$3,162,200 for the following project areas:

Central City	\$1,995,600
Sunset/Buena Vista	\$1,166,600

Both the Central City and Sunset/Buena Vista areas will continue to make contributions to their respective low income housing set aside programs as mandated by State law and City Council / Redevelopment Agency policy direction.

The State budget will impact the Salinas Redevelopment Agency budget with continued ERAF shifts of property taxes increasing as follows:

	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>
Central City	\$ 219,400	\$ 219,400
Sunset/Buena Vista	\$ 180,200	\$ 180,200
Total	\$ 399,600	\$ 399,600

Capital Improvement Program / Street Improvements

Past budget submissions have highlighted the City's investment in the annual street improvement program. Beginning in 1999-2000, the City began an aggressive program investing almost \$11,500,000 in five (5) years, including \$3,060,000 from one-time Crazy Horse Landfill sales proceeds. The largest one-year investment was \$4,614,600 in FY2000-2001. The ability to sustain those required investments is all but gone with the anticipated FY2005-2006 investment limited to \$575,000. The major factor in the reductions has been the requirement to provide funding for the NPDES program, perhaps the most burdensome unfunded mandate in the history of the federal government's program of unfunded mandates. The overall lack of an aggressive street improvements program is yet another indication of the declining ability of the City to provide basic services to its residents.

Capital Improvement Program

The City's current General Fund problems have resulted in the elimination of all but the most critical Capital Improvement Projects from the budget. This is a significant area of concern in terms of required investments and must be addressed as part of the City's overall economic recovery strategy.

A review of the General Fund CIP projects currently listed from FY2007-2008 onward is in reality a list of investments required to make Salinas a livable community. Unfortunately, the lack of revenue does not allow these investments to be made.

The minimal investments that must be made and are recommended for the next two (2) fiscal years are:

FY2005-2006 General Fund Capital Improvement expenditures:

Computer Replacement	\$ 100,000
Annual Weed Abatement Program	\$ 30,000
Underground Storage Tanks Monitoring	\$ 9,000
Police Storage Building	\$ 40,000
Asbestos Management	\$ 15,000
Fire Vehicle Lease / Purchase	\$ 289,900
Fire Station Repairs	\$ 25,000
Copier Rental/Purchase Program	\$ 55,000
Total	\$ 563,900

FY2006-2007 General Fund Capital Improvement expenditures:

Computer Replacement	\$ 100,000
Annual Weed Abatement Program	\$ 30,000
Underground Storage Tanks Monitoring	\$ 9,000
Police Storage Building	\$ 36,000
Asbestos Management	\$ 15,000

FY 2005-06 / FY 2006-07 RECOMMENDED BUDGET

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Fire Vehicle Lease / Purchase	\$ 289,900
Fire Station Repairs	\$ 25,000
Copier Rental/Purchase Program	\$ 55,000
Total	\$ 559,900

Capital Improvement Budget – Enterprise and Special Funds

The recommended budget includes a variety of Capital Improvement Projects funded by Enterprise and Special Funds. It should be noted that these funds are not available for General Fund as the funds are collected for specific purposes.

The FY 2005-2006 recommended amounts are:

Gas Tax Improvement Fund (2107)	\$ 2,415,300
Spec Construction Asst (Other)	\$ 1,687,750
Special Aviation Fund (Federal)	\$ 1,486,750
Development Fees – Sewer / Storm Drain	\$ 1,475,000
Development Fees / Arterial (TFO)	\$ 1,115,000
Sewer Fund	\$ 1,115,000
CDBG Fund	\$ 1,002,000
Sunset Ave Fund Project	\$ 351,200
Storm Sewer (NPDES)	\$ 300,000
COPS 2005 Communication	\$ 200,000
Development Fees / Parks & Playgrounds	\$ 165,000
Central City Fund Project	\$ 121,200
Police Capital Fund	\$ 120,000
Airport Fund	\$ 106,250
Asset Seizure	\$ 100,000
Industrial Waste	\$ 55,000
Downtown Parking	\$ 40,000
Fairways Golf Course	\$ 28,000
EMS Fund	\$ 18,000
Development Fees / Street Trees	\$ 10,000
Total	\$11,911,450

The FY 2006-2007 recommended amounts are:

Spec Construction Asst (State & Federal)	\$ 3,330,000
Gas Tax Improvement Fund (2107)	\$ 1,732,700
CDBG Fund	\$ 1,450,000
Development Fees / Arterial (TFO)	\$ 1,320,500

FY 2005-06 / FY 2006-07 RECOMMENDED BUDGET

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Special Aviation Fund (Federal)	\$ 923,400
Sewer Fund	\$ 890,000
Storm Sewer / NPDES	\$ 300,000
Spec Construction Asst (Other)	\$ 226,000
Sunset Ave Fund Project	\$ 101,200
Central City Fund Project	\$ 92,000
Airport Fund	\$ 61,600
Police Capital Fund	\$ 50,000
EMS Fund	\$ 18,000
Fairways Golf Course Fund	\$ 13,000
Development Fees / Street Trees	\$ 10,000
Total	\$10,518,400

Financial Policies

Beginning in the early 1990s, City Council asked that staff develop comprehensive written policies to provide overall direction for the City's financial planning and implementation. Finance Department staff have developed, amended, and patiently worked over the years to provide draft and final policies. The recommended budget includes those policies.

Classification/Salary Schedule

The City's classification and salary schedule is included in the budget document for the first time this year. The schedule provides salary ranges for each City job classification. It is important to note that City public safety employees pay nine (9%) percent of base salary and non-public safety employees pay seven (7%) percent of base salary into the State CALPERS retirement program. This is an important distinction when comparing City salaries to other jurisdictions, most of which pay the employees share of retirement, as is the case with Monterey County.

The City classification and salary schedule is dated July 1, 2005 and becomes effective on that date with the adoption of the budget. The one change to the classification and salary schedule is the reclassification of the Street Light and Traffic Signal Crew Supervisor position to the same salary range as all other Crew Supervisor classifications. This reclassification is necessary to provide consistency among supervisors within the Maintenance Services Department.

Follow-up Items / Outstanding Issues

Although the recommended budget is somewhat "anticlimactic" in terms of the issues that have been discussed for the last over two (2) years and the difficult decisions previously made to assure a balanced budget, there remain significant issues that must be resolved in order to preserve the economic stability assumed in the recommended budget. Some of the follow-up items impact the FY2005-2006 budget, others are longer-term in consequence.

Labor Relations

The recommended budget assumes one final round of employee concessions to balance the FY2005-2006 budget. Rather than further reduce services and programs, all employees have been asked to participate in a .5% concession for FY2005-2006. This comes after all employees have provided in a minimum 1.5% concession package to help balance the FY2004-2005 budget. There are a variety of methods that can be used by employees to provide the .5% amount. It is anticipated that final decisions may not be made by each bargaining unit prior to June 30, 2005. However, the value of the concessions (approximately \$275,000) is assumed in the budget. A more significant concession item involves IAFF and the minimum staffing requirement in the current MOU. In FY2004-2005, IAFF agreed to reduce minimum staffing from twenty-three (23) to twenty-two (22) in order to maintain the City's paramedic program. The minimum staffing concession is no longer required for paramedic funding. The decrease to twenty-two (22) with the associated General Fund savings of \$500,000 is assumed for FY2005-2006.

Alternative Funding Requirements

The last year has proven quite successful in identifying and securing alternative funding for previously General Fund supported activities. In FY2005-2006, there will be no General Fund subsidy to the Twin Creeks Golf Course as the course has been leased to First Tee. In FY2005-2006, paramedic services will be provided with funds from the ambulance provider and CSA74.

It is staff's intention to review at least two (2) other areas for alternative funding in FY2005-2006. A major objective of the new fiscal year will be to identify alternative revenue for the federally mandated NPDES program so that the City's gas tax revenue can be invested in City streets, not into the implementation of an unfunded federal mandate. The second major objective will be to explore alternatives for the management and operation of the Fairways Golf Course in order to eliminate the need for General Fund subsidies for that course.

Downtown Area Initiatives

Among the more positive items imbedded in this recommended budget are those associated with the continuing redevelopment of the downtown area. The first month of the new fiscal year will see the formal opening / dedication of the new downtown parking facility and the long-anticipated completion / opening of the downtown multi-screen theatres. The new year will include specific initiatives for the development and implementation of a comprehensive, downtown parking plan and the completion of negotiations for the ultimate use of the remaining 100 block parcel owned by the Salinas Redevelopment Agency. A Disposition and Development Agreement will be completed and the initial work will be underway for the 100-block hotel project during FY2005-2006.

General Fund Structural Deficit

To some extent, the recommended General Fund budget is a gamble. The gamble relates directly to a remaining General Fund structural annual deficit of \$1,000,000+. This deficit will be balanced by the two (2) year use of the already discussed VLF advance payment. It is a reasonable gamble given the current signs of an economic recovery, the Proposition 1A constraints barring the State from significant raids on City revenue beginning in FY2006-2007, the peaks that have been reached in retirement costs, and the reductions in on-going expenses achieved with the elimination of programs and services costing \$15,000,000 annually in current dollars. However, the reality of the remaining structural deficit must be recognized and planned for during the next two (2) years.

Long-Term Investments

While there has been constant discussion of the program and service reductions (best exemplified with the library closings) required these last few years, there are two (2) other General Fund issues that have not garnered much attention, but that must be areas of emphasis for the City as it begins a long period of financial recovery. The first area is one of investment as both the annual General Fund Capital Outlay programs and the multi-year General Fund Capital Improvement Program have all but disappeared from this two (2) year recommended budget. The City's needs range from equipment replacement to facility rehabilitation and replacement, from the need to replace lawn mowers to the need to build a new police facility, from the need to replace a decades old financial accounting system to the need to repair leaking roofs.

The second area is to rebuild the City's General Fund Operating Reserve to facilitate cash flow as well as to guard against the next downward economic cycle. Although it took a decade, the City was able to grow its General Fund Operating Reserve from \$256 on June 30, 1992 to over \$10,000,000 on June 30, 2003. The reserve will be exhausted. If the June 30, 2003 reserve had not existed, the General Fund reductions required during the last couple of years would have gone far beyond the services that were eliminated and would have required significant reductions in public safety services. The General Fund Operating Reserve must be a priority over the next few years.

The elimination of over \$15,000,000 in programs and services as well as the over one hundred twenty (120) positions lost to the workforce must also be matters of consideration as the City's builds back what was lost. The libraries, recreation centers, maintenance programs, neighborhood services, graffiti abatement, and other lost services must be restored in order to achieve a safe, livable community. It will be impossible to restore those programs and services that have been lost in the same manner that existed in the past. It is likely that many of the reorganizations and consolidations that have been forced by the lack of revenues will remain in place permanently. The emphasis must be on the restoration of the basic, quality of life services that are no longer available to City residents. The rebuilding and restoration efforts will be significant and frustrating, as the revenues are not anticipated in the amounts that would restore services in a timely manner. Without some additional source of revenue, it is likely that restoration of services that have been eliminated will take as long as ten (10) years assuming the most aggressive and consistent national and state

economic recovery imaginable.

Additional General Fund Revenue

The General Fund recommended budget describes an overall investment in program and services that severely and negatively impacts basic quality of life for Salinas' residents. There is no General Fund support for library services, for paramedic services, for neighborhood clean-up (including graffiti abatement), school crossing guards, regular building, parks, and tree maintenance, required capital outlay, and long-term capital improvements. There is no ability to increase public safety services and little ability to assure that existing public safety personnel have the equipment and resources required to do their jobs. This sad scenario will remain in place for years unless new sources of General Fund revenues are secured.

Conclusion

The recommended FY2005-2006 and FY2006-2007 budgets are balanced. The cost in terms of services and programs that have been eliminated is overwhelming. The road to full recovery will be long and bumpy. If there is good news in this budget, it is that the recommended FY2005-2006 reductions will establish long-term stability for the City's finances.

Last year, I cited City employees' patience and acceptance of reality as the budget was presented and discussed. The employees of the City have consistently shown their dedication to provide the best quality services to residents, in spite of the terrible financial limitations. I must again thank our employees and their representatives who have stepped forward during the last two (2) years with suggestions and recommendations. Every City employee and all City unions/associations provided concessions in FY2004-2005, and all continue to work on the final alternatives for FY2005-2006. This budget, assuming its adoption with all recommended reductions, is also a commitment to our employees that the deficit problems have been cured.

The recommended budget represents the culmination of an extraordinary and professional effort on the part of City staff, especially the staff of the Finance Department. Special recognition goes to key individuals who were involved in bringing it all together. My personal thanks goes to Beth Mariano, Miguel Gutierrez, and Finance Director Tom Kever for their individual and collective responsiveness, patience, and support during a very intense work period. Special thanks, to Erica Ruano and Jesse Altamirano for the preparation and printing of the budget document. Without the dedication and professionalism of these employees, the recommended budget could not be completed and produced.

Respectfully submitted,



DAVE MORA
City Manager

City of Salinas
General Fund Budget Reductions Narrative
Fiscal Year 2003-04, 2004-05 and 2005-06

Employee concessions (ranging from 2.0% to 7.5%);

Reorganization of the City's management structure resulting in the net reduction of three (3) department directors positions as well as management positions in police, fire and other administrative departments;

Eliminated of position responsible for specific projects and intergovernmental support;

Reduced public grounds, parks, facilities, tree and street maintenance;

Eliminated the neighborhood services program, the graffiti abatement program, the school crossing guard program, the volunteer services program, the literacy program and Kids House program;

Eliminated all General Fund support of non-profit agencies;

Eliminated all General Fund support of the paramedic program;

Eliminated position responsible for the City Web Page;

Transferred the Firehouse Recreation Center and Twin Creeks Golf Course to non-profit agencies;

Reduced code enforcement;

Reduced adult and youth sports programs and programs at the Salinas Recreation Center;

Reduced development and planning services;

Delayed the hiring of five police officers and ultimately eliminated ten police officer positions;

Froze four firefighter positions (reduce minimum staffing from 23 to 22);

And the following City facilities will be closed; Closter Park Recreation Center, El Dorado Park Recreation Center, Central Park Recreation Center, Hebron Heights Recreation Center, El Gabilan Library, Cesar Chavez Library and Steinbeck Library.

City of Salinas
General Fund Budget
Summary Budget Reductions by Department

	FY 2003-04	FY 2004-05	09/21/04 FY 2005-06	Total	Percent	FTEs
	Reductions	Reductions	Reductions	Reductions	Reductions	
City Council	(10,500)			(10,500)	-6.0%	
Administration	(146,700)	(184,000)	(259,600)	(590,300)	-40.1%	(5.00)
Finance		(287,200)	(237,400)	(524,600)	-16.4%	(6.00)
Legal		(116,000)	(56,500)	(172,500)	-28.8%	(1.00)
Non Departmental	(28,500)	(359,150)	(62,500)	(450,150)	-11.0%	
Police-Budget	102,600	(200,400)	(1,130,000)	(1,227,800)	-5.3%	(13.00)
Police Home Loan Reserve		(500,000)		(500,000)	-100.0%	
Fire	(119,800)	(167,000)	(400,000)	(686,800)	-6.9%	(2.00)
Development & Engineering Services	(642,500)	(159,700)	(261,600)	(1,063,800)	-20.2%	(4.00)
Maintenance Services	(987,850)	(763,500)	(1,014,900)	(2,766,250)	-30.2%	(30.00)
Recreation Parks	(377,500)	(619,500)	(414,200)	(1,411,200)	-45.9%	(13.75)
Library	(259,600)	(503,800)	(2,874,100)	(3,637,500)	-100.0%	(42.75)
	<u>(2,470,350)</u>	<u>(3,860,250)</u>	<u>(6,710,800)</u>	<u>(13,041,400)</u>	-20.4%	<u>(117.50)</u>
Paramedic Program		(530,800)		(530,800)		(1.00)
Golf Courses Rate Increase-16%		(350,000)		(350,000)		
Twin Creeks to First Tee (9 months)		(365,000)		(365,000)		(4.75)
Delay Hire of Five Police Officers		(250,000)		(250,000)		
Employee Concessions		(500,000)	(277,500)	(777,500)		
Reductions	<u>(2,470,350)</u>	<u>(5,856,050)</u>	<u>(6,988,300)</u>	<u>(15,314,700)</u>	-24.0%	<u>(123.25)</u>

FINANCIAL SUMMARIES

Budget Resolution Fiscal Year 2005-06

RESOLUTION NO. 18811 (N.C.S)
RESOLUTION NO. 827 (S.R.A)

RESOLUTION ADOPTING THE 2005-06 ANNUAL BUDGET

BE IT RESOLVED that the Budgets of the City of Salinas and the Salinas Redevelopment Agency, including interfund transfers as set forth herein for Fiscal Year 2005-06 commencing on July 1, 2005 be adopted as listed below:

Fund	Description	Estimated Revenue	Interfund Transfers	Appropriations
<u>General Government</u>				
	10 General Fund	66,143,300	(349,000)	68,100,400
	24 Emergency Medical Services Fund	500,000	80,000	585,000
	25 Asset Seizure Fund	30,600		53,300
	28 Public Safety Fund	2,551,400		2,259,000
	34 Traffic Safety Fund	700,000	(700,000)	
	35 Vehicle Abatement Fund	110,000	40,000	155,100
	36 Recreation Park Fund	50,000		
Total		70,085,300	(929,000)	71,152,800
<u>Internal Services</u>				
	50 Internal Service Fund	5,577,000		5,797,300
<u>Enterprise Operations</u>				
	21 Airport	997,000		788,400
	22 Industrial Waste	1,530,000		1,114,600
	23 Golf Courses	1,665,000	770,000	2,383,400
	27 Sanitary Sewer	2,325,000		2,238,900
	30 Storm Sewer	450,000	500,000	1,226,100
	31 Crazy Horse Landfill	385,100	(385,100)	
	51 Hitchcock Road Water System	50,000		50,000
	52 Downtown Parking District	474,900	100,000	516,000
Total		7,877,000	984,900	8,317,400
<u>Assessment and Maintenance Districts</u>				
	26 Maintenance Districts	1,051,000		938,500
	39 Business Surcharge Districts	270,000		270,000
	70 Assessments Districts	3,595,300		4,485,700
Total		4,916,300	0	5,694,200
<u>Block Grants and Home Program</u>				
	29 Community Development Block Grant	3,040,300		2,037,000
	29 Home Investment Program	2,688,200		2,538,150
	29 American Dream Down payment Program	25,000		
	29 Emergency Shelter Program	109,900		109,900
Total		5,863,400	0	4,685,050
<u>Grant Programs</u>				
	61 Grant Fund-Rally Salinas!	686,900		706,900
<u>Deferred Compensation and Retirement</u>				
	65 Administration Fund	75,000		71,200

FINANCIAL SUMMARIES

Revenue

<u>Fund</u>	<u>Description</u>	<u>Estimated Revenue</u>	<u>Interfund Transfers</u>	<u>Appropriations</u>
<u>Debt Service</u>				
	40 Debt Service Fund	315,900	869,100	1,839,800
<u>Redevelopment Agency</u>				
	92 Central City Project and Debt Service	2,641,500	(320,500)	2,044,300
	92 Central City Housing	145,000	320,500	753,700
	93 Sunset Av Project and Debt Service	2,150,500	(515,000)	1,112,800
	93 Sunset Av Housing	30,000	515,000	111,500
Total		4,967,000	0	4,022,300
<u>Capital Projects</u>				
	10 General Fund		(563,900)	
	21 Airport Fund		(106,250)	
	22 Industrial Waste Fund		(55,000)	
	23 Golf Courses Fund		(28,000)	
	24 Emergency Medical Services Fund	18,000	(18,000)	
	25 Asset Seizure Fund		(100,000)	
	27 Sanitary Sewer Fund		(1,115,000)	
	28 Public Safety Fund		(320,000)	
	29 Community Development Block Grant		(1,002,000)	
	30 Storm Sewer (NPDES)		(300,000)	
	32 Development Fee Fund	1,623,900	(2,765,000)	
	33 Gas Tax Fund-To Projects	3,025,000	(2,415,300)	
	33 Gas Tax Fund-To NPDES		(500,000)	
	33 Gas Tax Fund-To Street Maintenance		(425,000)	
	37 Special Aviation Fund	1,531,750	(1,486,750)	
	38 Construction Assistance Fund	1,683,200	(1,687,750)	
	52 Downtown Parking District		(40,000)	
	70 Assessment Districts Project Fund	25,000		
	92 Central City Project Fund		(121,200)	
	92 Central City Housing Fund			
	93 Sunset Av Project Fund		(351,200)	
	80 Capital Projects Fund		12,475,350	12,475,350
Total		7,906,850	(925,000)	12,475,350
Total Budget		108,270,650	0	114,862,300

BE IT FURTHER RESOLVED that the Classification--Salary Schedule and Financial Policies included in the budget document be adopted and that the Finance Director is hereby authorized to make interfund transfers as herein authorized when such monies become available.


PASSED AND ADOPTED this 14th day of June, 2005, by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:


 City Clerk


 Mayor

FINANCIAL SUMMARIES

Appropriations Limit

RESOLUTION No. 18802

A RESOLUTION SETTING THE APPROPRIATIONS LIMIT
FOR THE CITY OF SALINAS FOR
FISCAL YEAR 2005-06

WHEREAS Article XIII B of the California Constitution was amended by the passage of Proposition 111 at the June 5, 1990, Primary Election; and,

WHEREAS each City must now select its change in the cost-of-living annually by a recorded vote of the City Council; and,

WHEREAS each City must now select its change in population annually by a recorded vote of the City Council;

NOW THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SALINAS that the Appropriations Limit for the City shall be changed based on:

1. The population within the County limits, and
2. The change in California Per Capita Personal Income.


BE IT FURTHER RESOLVED that the Appropriations Limit for the City of Salinas for Fiscal Year 2005-06 is hereby adopted at \$148,156,549 pursuant to Article XIII B as amended by Proposition 111.

PASSED AND ADOPTED this 14TH day of June, 2004, by the following vote:

AYES:


NOES:

ABSENT:



Mayor

ATTEST:



City Clerk

FINANCIAL SUMMARIES

Fund Balances

Fiscal Year 2005-06

Fund	Estimated Balance 06/30/2005	Estimated Revenues FY 05-06	Budget FY 05-06	Interfund Transfers FY 05-06	Reserve Transfers FY 05-06	Estimated Balance 06/30/2006
General	119,579	66,143,300	(68,100,400)	(912,900)	2,750,421	0
General-Capital Improvement Reserve	1,123,800				(563,900)	559,900
General-Reserve for Structural Deficit	2,425,000				(1,550,000)	875,000
General-Operating Reserve/Pre-payment	1,750,000				(636,521)	1,113,479
Total	5,418,379	66,143,300	(68,100,400)	(912,900)	0	2,548,379
Emergency Medical Services Fund	12,900	518,000	(585,000)	62,000		7,900
Asset Seizure	150,900	30,600	(53,300)	(100,000)		28,200
Public Safety	311,400	2,551,400	(2,259,000)	(320,000)		283,800
Traffic Safety	10,800	700,000		(700,000)		10,800
Vehicle Abatement	15,400	110,000	(155,100)	40,000		10,300
Recreation Parks Fund	134,700	50,000				184,700
Internal Service						
Administration	28,600	325,000	(337,900)			15,700
General Insurances	112,000	585,000	(612,400)			84,600
Workers Compensation Insurance	0	3,925,000	(4,142,000)		217,000	0
Liability Insurance	0	742,000	(705,000)		(37,000)	0
Total	140,600	5,577,000	(5,797,300)		180,000	100,300
Enterprise Operations						
Airport	653,300	997,000	(788,400)	(106,250)		755,650
Industrial Waste	846,700	1,530,000	(1,114,600)	(55,000)		1,207,100
Golf Courses	8,100	1,665,000	(2,383,400)	742,000		31,700
Sanitary Sewer	2,148,900	2,325,000	(2,238,900)	(1,115,000)		1,120,000
Storm Sewer	1,061,600	450,000	(1,226,100)	200,000		485,500
Hitchcock Road Water System	0	50,000	(50,000)			0
Downtown Parking District	0	474,900	(516,000)	60,000		18,900
Crazy Horse Landfill	0	385,100		(385,100)		0
Total	4,718,600	7,877,000	(8,317,400)	(659,350)		3,618,850
Assessment & Maintenance Districts						
Maintenance District Administration	106,300	58,300	(29,800)			134,800

FINANCIAL SUMMARIES

Fund Balances Fiscal Year 2005-06

Fund	Estimated Balance 06/30/2005	Estimated Revenues FY 05-06	Budget FY 05-06	Interfund Transfers FY 05-06	Reserve Transfers FY 05-06	Estimated Balance 06/30/2006
Woodside Park	35,000	31,000	(48,200)			17,800
Downtown Mall	(16,500)					(16,500)
Airport Business Park	11,100	15,700	(18,000)			8,800
North East	13,800	536,000	(446,800)			103,000
Harden Ranch	2,800	159,500	(146,900)			15,400
Vista Nueva	75,900	28,600	(82,000)			22,500
Mira Monte	35,100	102,400	(86,800)			50,700
Monte Bella		119,500	(80,000)			39,500
Oldtown Business Surcharge District	4,500	120,000	(120,000)			4,500
SUBA Business Surcharge District	0	150,000	(150,000)			0
Assessment Administration	92,800	50,000	(80,600)			62,200
Assessment Districts Bonds	6,545,300	3,545,300	(4,405,100)			5,685,500
Total	6,906,100	4,916,300	(5,694,200)			6,128,200
Community Development Act of 1974	1,191,100	5,863,400	(4,685,050)	(1,002,000)		1,367,450
Grants, Trusts & Agencies	20,000	686,900	(706,900)			0
Rally Salinas!	333,000					333,000
Housing Trust Fund						
Total	353,000	686,900	(706,900)			333,000
Deferred Compensation & Retirement	7,000	75,000	(71,200)			10,800
Redevelopment Agency						
Central City Project	1,100	16,500	(389,500)	389,500		17,600
Central City Debt Service	21,300	2,625,000	(1,654,800)	(831,200)	(100,000)	60,300
Central City Low Income Housing	1,093,400	145,000	(753,700)	320,500		805,200
Total	1,115,800	2,786,500	(2,798,000)	(121,200)	(100,000)	883,100
Sunset Avenue Project	0	500	(738,400)	737,900		0
Sunset Avenue Debt Service	405,500	2,150,000	(374,400)	(1,604,100)		577,000

FINANCIAL SUMMARIES

Fund Balances Fiscal Year 2005-06

Fund	Estimated Balance 06/30/2005	Estimated Revenues FY 05-06	Budget FY 05-06	Interfund Transfers FY 05-06	Reserve Transfers FY 05-06	Estimated Balance 06/30/2006
Sunset Low Income Housing	862,800	30,000	(111,500)	515,000		1,296,300
	1,268,300	2,180,500	(1,224,300)	(351,200)	0	1,873,300
Total	2,384,100	4,967,000	(4,022,300)	(472,400)	(100,000)	2,756,400
Gas Tax	718,800	3,025,000		(3,340,300)		403,500
Development Fees	1,115,600	500,000		(1,475,000)		140,600
Sewers	53,800	120,000		(165,000)		8,800
Parks	988,300	95,000				1,083,300
Library Fees	8,800	10,500		(10,000)		9,300
Trees	14,100	15,000				29,100
Annexation	1,500	33,400				34,900
Fire Fees	2,484,400	850,000		(1,115,000)		2,219,400
Arterial						
Total	4,666,500	1,623,900		(2,765,000)		3,525,400
Special Aviation						
California Aid to Airports	0	10,000				10,000
CC&F Land Sale	1,854,300	35,000				1,889,300
Federal Aviation Grants	65,500	1,486,750		(1,486,750)		65,500
	1,919,800	1,531,750		(1,486,750)		1,964,800
Construction Assistance						
State & Federal	210,400					210,400
Others	240,650	1,683,200		(1,687,750)		236,100
	451,050	1,683,200		(1,687,750)		446,500
Debt Service	42,500	315,900	(1,839,800)	869,100	649,600	37,300
Assessment District Project	991,700	25,000				1,016,700
Capital Projects Revolving Fund	1,259,000		(12,475,350)	12,475,350		1,259,000
Total All Funds	31,804,329	108,270,650	(114,762,300)	0	729,600	26,042,279

FINANCIAL SUMMARIES

Fund Balances – Notes Fiscal Year 2005-06

	Estimated FY 04-05	Estimated FY 05-06
1 Beginning General Fund Balance	6,535,491	119,579
Estimated Revenue	65,801,100	66,143,300
Sell VLF 3 Month Backfill	2,446,400	
Paramedic Funding-Firefighter Concessions	300,800	
Net Transfers		
From Other Funds	136,088	(349,000)
Estimated Expenditures		
Operating	(68,360,100)	(68,100,400)
Severance Payments	(600,000)	
Capital Projects	(841,400)	(563,900)
Balance	5,418,379	(2,750,421)
Reserves		
Operating Reserve/Pre-payment	(1,750,000)	636,521
Structural Deficit Reserve-VLF	(2,425,000)	1,550,000
Capital Projects	(1,123,800)	563,900
Unreserved Fund Balance	<u>119,579</u>	<u>0</u>
2 General Fund Reserves		
Operating/Pre-payment	<u>1,750,000</u>	<u>1,113,479</u>
	<u>1,750,000</u>	<u>1,113,479</u>
Structural Deficit Reserve-VLF	<u>2,425,000</u>	<u>875,000</u>
	<u>2,425,000</u>	<u>875,000</u>
Capital Improvement Reserve FY 05-06 & 06-07	<u>1,123,800</u>	<u>559,900</u>
	<u>1,123,800</u>	<u>559,900</u>
3 Emergency Medical Services Fund (Paramedic Program)		
Beginning Balance	8,300	12,900
Estimated Revenue		
County CSA 74 Funds	22,600	168,000
Ambulance Contract		350,000
General Fund Contribution	0	80,000
Estimated Expenditure		
Operations		(585,000)
EMS Equipment	(18,000)	(18,000)
Unreserved Fund Balance	<u>12,900</u>	<u>7,900</u>

* Paramedic program funded by Firefighter concessions in FY 2004-05.

FINANCIAL SUMMARIES

Fund Balances – Notes Fiscal Year 2005-06

	Estimated FY 04-05	Estimated FY 05-06
4 The Recreation Park Fund collects revenue received from an admission fee imposed on events held at the Rodeo Grounds stadium. City Council has designated these funds for park and recreation purposes.		
5 Internal Service-Fund Balance	6,824,200	6,603,900
Reserves		
-Workers Compensation Insurance	(5,103,400)	(4,886,400)
-Liability Insurance	(1,580,200)	(1,617,200)
Unreserved Fund Balance	<u>140,600</u>	<u>100,300</u>
6 Industrial Waste Fund Balance will be used in conjunction with a bond issue to fund \$5.0 million dollars in long over due capital improvements.		
7 Golf Courses Fund Balance	920,700	944,300
Reserve-Debt Service	(912,600)	(912,600)
Unreserved Balance	<u>8,100</u>	<u>31,700</u>
* Unreserved Balance includes General Fund Advances to the Golf Courses as follows:		
Actual FY 01-02	800,000	800,000
Actual FY 02-03	900,000	900,000
Actual FY 03-04	835,000	835,000
Estimated FY 04-05	890,000	890,000
Estimated FY 05-06		770,000
	<u>3,425,000</u>	<u>4,195,000</u>
8 Sanitary Sewer Fund Balance	3,405,400	2,376,500
Reserve-Debt Service	(1,031,500)	(1,031,500)
-Operating Reserve	(225,000)	(225,000)
Unreserved Balance	<u>2,148,900</u>	<u>1,120,000</u>
9 Storm Sewer Fund Balance	1,261,600	685,500
-Reserve for NPDES program	(200,000)	(200,000)
Unreserved Balance	<u>1,061,600</u>	<u>485,500</u>
10 Downtown Parking District Beginning Balance	0	0

FINANCIAL SUMMARIES

Fund Balances – Notes Fiscal Year 2005-06

	Estimated FY 04-05	Estimated FY 05-06
Estimated Revenue		474,900
General Fund Advance		100,000
Estimated Expenditure		
Operations		(516,000)
Equipment		(40,000)
Unreserved Fund Balance	<u>0</u>	<u>18,900</u>
<p>* General Fund advances to the Downtown Parking District may be required until paid parking throughout downtown (2,000 parking spaces) is implemented. Annual debt service (\$1,091,900) on the Monterey Street Parking Structure begins in FY 2007-08.</p>		
11 Redevelopment Agency		
Central City Fund Balance	1,890,800	1,758,100
Reserve for Debt Service-Monterey St. Parking Structure	(450,000)	(550,000)
Reserve-Plaza Grande Financing	(325,000)	(325,000)
Unreserved Fund Balance	<u>1,115,800</u>	<u>883,100</u>
12 Includes Gas Tax Transfers to fund the Federally mandated NPDES Storm Sewer program	<u>(802,500)</u>	<u>(500,000)</u>
13 Reserved for Future Development Fee projects.		
14 COP Debt Service Fund Balance	3,336,550	2,681,750
Capitalized Interest Monterey St Parking COP	(1,096,000)	(446,400)
Reserve-Debt Service	(2,198,050)	(2,198,050)
Unreserved Fund Balance	<u>42,500</u>	<u>37,300</u>
15 Capital Projects Revolving Fund Balance	2,000,000	2,000,000
Capital Project Expenditure (Long-term Advances)		
New Police Facility Land (Armory)	(550,000)	(550,000)
Capital Facility Development	(191,000)	(191,000)
Required for Capital Grant Advances	<u>1,259,000</u>	<u>1,259,000</u>