



**CITY OF LODI  
COUNCIL COMMUNICATION**

**AGENDA TITLE:** Discuss 2005-06 Budget Strategy

**MEETING DATE:** January 25, 2005

**PREPARED BY:** Finance Director

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**RECOMMENDED ACTION:** That Council continue discussions regarding the 2005-06 Budget Strategy.

**BACKGROUND INFORMATION:** The City Council and staff continue to have ongoing discussions regarding the 2005-06 budget at the Council meetings. Previous discussions were held on January 11 and 18, 2005. Staff would like to continue that discussion during the Tuesday morning meeting scheduled on January 25, 2005.

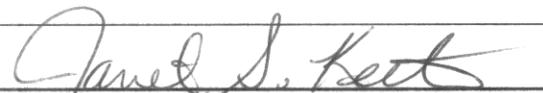
**Discussion of Revenue enhancements: (Continued discussion and review of attached document for budget policy from 1-18-05)**

1) Many departments and programs are accounted for in the General Fund. In accordance with budget policies, this has involved subsidizing some activities with general revenues. And, in other cases it has involved paying for general activities with designated revenues. Although this can be considered a permissible short term practice, it is not a practice which should be continued on a long term basis. With the budget challenge we now face it is particularly important that we make all the efforts we can at clarifying and identifying financial resources with the associated services that those resources are utilized for. Specific examples of where the matching of resources with the associated programs needs to be more carefully evaluated is in the Community Development, Parks and Recreation, Community Center and Public Works departments. Ultimately the objective is to make it as clear as possible within our accounting and budgeting structure the relationship between revenues and services provided. However, aside from the accounting practices we follow, the question for City Council is whether general revenues should be used to subsidize operations that could be paid for with direct revenues. Staff seeks your direction on this question. The answer to this policy question may result in the increase of some fees and the reclassification of some activities out of the general fund and into separate "specially designated funds."

2) Internal Services Activities are accounted for in the general fund for the most part. In the past some of these activities have been reclassified to other funds (Medical Insurance, Workers Compensation and other insurances). In order to

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APPROVED:

  
Janet S. Keeter, Interim City Manager

more clearly associate the cost of services provided internally by the Finance, Information Systems, Human Resources, Building Facilities and Vehicle Maintenance Departments, staff is recommending that these activities be reclassified to Internal Service Funds.

#### **Mid Year Budget Review and Forecast:**

The Finance Department in conjunction with the City Manager's office will present a review of the City's operating results as of December 31, 2004 as an agenda item at the February 2, 2005 Council meeting. Summary reports are not yet available for your review; but they will be provided to you before the next City Council meeting.

There will be one appropriation adjustment that will be presented to you at the February 2, 2004 Council meeting. The adjustment entails hiring a city planner to start the General Plan Update in fiscal year 2004-05 and funding this position with Impact Mitigation Fees.

#### **Discussion of Organizational Reviews:**

The Finance Director will discuss some ideas on ways to evaluate operational efficiencies in the Finance Department and possibly in other departments as well. Before embarking on this review in any departments, discussion will need to take place with the new City Manager and with all departments regarding how best to approach this evaluation of efficiency and effectiveness.

#### **Gann Appropriations Limitation:**

Staff will discuss the limitation in conjunction with the budget targets and other budget policies to limit expenditures in 2005-06 and beyond.

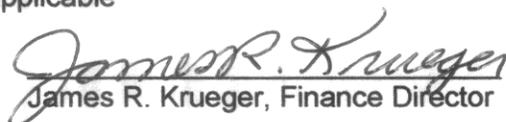
#### **City Financial Condition as of June 30, 2004:**

The Comprehensive Annual Financial Report (CAFR) for June 30, 2004 is available for your review. A representative from the audit firm of Macias Gini & Company will be scheduled to be at the February 16, 2004 City Council meeting to discuss the audit in more detail. The Finance Director will discuss some highlights from the Management Discussion and Analysis section of the CAFR at the meeting on Tuesday.

#### **Where do we go from here?**

A calendar for the preparation, review and approval of the 2005-06 budget will be presented Tuesday.

**FUNDING:** Not applicable

  
James R. Krueger, Finance Director

	(1)	(2)	(3)	(4)	(5)	(5)/(2)	Recommended
	Expenditures		Funding Sources				Funding Sources
<u>Totals By Function</u>	<u>Baseline</u>	<u>Targets</u>	<u>Direct</u>	<u>Transfers***</u>	<u>General</u>	<u>General %</u>	
Public Safety	20,453,800	19,431,100	1,010,000 **	110,000	18,311,100	94%	Property Taxes, In-lieu of, Motor Vehicle
City Council and Appointees	<u>1,688,900</u>	<u>1,612,600</u>	<u>0</u>	<u>576,000</u>	<u>1,036,600</u>	64%	Sales Taxes
<b>Total (General Fund)</b>	<b>22,142,700</b>	<b>21,043,700</b>	1,010,000	686,000	19,347,700		
Public Works	8,199,700	7,543,700	404,000 **	2,450,000	4,689,700	62%	Sales Taxes
Parks and Recreation	3,863,200	3,399,600	848,000 **		2,551,600	75%	Sales Taxes
Community Center	1,699,600	1,495,600	440,000 **		1,055,600	71%	Sales Taxes
Internal Services	4,724,500	4,236,000	498,000	2,769,000	969,000	23%	Late payments, Other
Community Development	1,974,000	<u>1,855,600</u>	<u>1,000,000</u> **	<u>120,000</u>	<u>735,600</u>	40%	Sales Taxes
<b>Sub-total to be removed from General Fund</b>		<b>18,530,500</b>	<u>3,190,000</u>	<u>5,339,000</u>	<u>10,001,500</u>		
<b>TOTAL</b>			4,200,000	6,025,000	<b>29,349,200</b>		
<b>Total Expenditures</b>	<b>42,603,700</b>	<b>39,574,200</b>					
- Direct Revenues	4,200,000	4,200,000					
- Cost of Services Transfers	6,025,000	6,025,000					
Imbalance	3,029,500	0					
<b>Funded with General Revenues</b>	<b>29,349,200</b>	<b>29,349,200</b> *					
<b>Total</b>	42,603,700	39,574,200					

\* There are no proposals to go to the citizens with any general revenue increases

\*\* Proposals will be made by these departments to increase fees, rates or the amount of direct revenues

\*\*\* Costs will be evaluated in relation to target expenditures amounts and will be adjusted in relation to revised expenditures

RESOLUTION NO. 2004-145

A RESOLUTION OF THE LODI CITY COUNCIL ADOPTING THE 2004-05  
OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR THE FISCAL  
YEAR BEGINNING JULY 1, 2004 AND ENDING JUNE 30, 2005, AND  
FURTHER APPROVING THE 2004-05 APPROPRIATION SPENDING LIMIT

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WHEREAS, the City Manager submitted the 2004-05 balanced Operating and Capital Improvement Budget to the City Council on July 21, 2004; and

WHEREAS, the 2004-05 Operating and Capital Improvement Budget was prepared in accordance with the City Council's goals, budget assumptions, and policies; and

WHEREAS, the City Council conducted public budget meetings on December 17, 2003, January 7, 2004, January 21, February 4, April 21, April 27, May 13, May 19, June 2, June 8, June 15, June 22, June 29, July 7, and July 21, 2004, at the Carnegie Forum; and

WHEREAS, the City Council is required to adopt the Appropriations Spending Limit for 2004-05; and

WHEREAS, the Appropriations Spending Limit and the annual adjustment factors selected to calculate the Limit are part of the Financial Plan and Budget.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lodi as follows:

1. That the 2004-05 Operating and Capital Improvement Budget and the Appropriations Spending Limit for 2004-05 as proposed by the City Manager,
  - a) with the exclusion of the Lodi Conference and Visitors Bureau element (voted on separately and reflected in Resolution 2004-146) and
  - b) with the exception of not transferring \$2,616,000 from the Capital Outlay Fund (to the General Fund), which results in a total ending General Fund balance of \$2,190,048,is hereby presented as a balanced budget and is hereby adopted by the City Council;
2. That the funds for the 2004-05 Operating Budget are appropriated as summarized in the document on file in the City Clerk's Office; and
3. That the funds for the 2004-05 Capital Improvement Budget are appropriated to a Capital Control Account for further allocation by the City Council on a project-by-project and purchase-by-purchase action.

Dated: July 21, 2004

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I hereby certify that Resolution No. 2004-145 was passed and adopted by the City Council of the City of Lodi in a regular meeting held July 21, 2004, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hitchcock, Land, and Mayor Hansen  
NOES: COUNCIL MEMBERS – None  
ABSENT: COUNCIL MEMBERS – Howard  
ABSTAIN: COUNCIL MEMBERS – None

  
SUSAN J. BLACKSTON  
City Clerk

2004-05 FINANCIAL PLAN AND BUDGET

APPROPRIATIONS SPENDING LIMIT

2004-05 APPROPRIATIONS SPENDING LIMIT

				AMOUNT
Last Year's Limit				59,759,913
Adjustment Factors				
1	Population %	1.0328		
2	Inflation %	1.0075		
Total Adjustment %				1.0405
Annual Adjustment				2,423,025
Adjustments				None
Total Adjustments				2,423,025
<b>2004-05 APPROPRIATIONS SPENDING LIMIT</b>				<b>62,182,939</b>

2004-05 APPROPRIATIONS SUBJECT TO LIMITATION

		AMOUNT
PROCEEDS OF TAXES		29,221,131
EXCLUSIONS		-
APPROPRIATIONS SUBJECT TO LIMITATION		29,221,131
CURRENT YEAR LIMIT		62,182,939
<b>OVER(UNDER) LIMIT</b>		<b>(32,961,807)</b>

filed 1-25-05

	(1)	(2)	(3)	(4)	(5)	(5)/(2)	Recommended General Funding Sources
	Baseline	Expenditures Targets	Direct	Funding Sources Transfers***	General	General %	
<b>Totals By Function</b>							
Public Safety	20,453,800	19,431,100	1,010,000 **	110,000	18,311,100	94%	Property Taxes, In-lieu of, Motor Vehicle Sales Taxes
City Council and Appointees <i>Includes City Manager, City Clerk, City Attorney</i>	1,688,900	1,612,600	0	576,000	1,036,600	64%	
<b>Total (Adjusted General Fund after removing Departments as listed below)</b>	<b>22,142,700</b>	<b>21,043,700</b>	1,010,000	686,000	19,347,700		
Public Works	8,199,700	7,543,700	404,000 **	2,450,000	4,689,700	62%	Sales Taxes
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Internal Services <i>(includes Finance, Information Services Division, Human Resources and other citywide services)</i>	4,724,500	4,236,000	498,000	2,769,000	969,000	23%	Late payments, Other
Community Development	1,974,000	1,855,600	1,000,000 **	120,000	735,600	40%	Sales Taxes
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<b>Funded with General Revenues</b>	<b>29,349,200</b>	<b>29,349,200 *</b>					
<b>Total</b>	<b>42,603,700</b>	<b>39,574,200</b>					

Preliminary Budget Information  
For Discussion Purposes Only  
Numbers Will Change