



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jennifer A. Maguire

**SUBJECT:** 2015-2016 ESSENTIAL SERVICES  
RESERVE ADDITIONAL FUNDING

**DATE:** May 27, 2015

Approved

Date

5/28/15

## RECOMMENDATION

Approve the following 2015-2016 Proposed Operating Budget amendments to the General Fund:

1. Increase the Essential Services Earmarked Reserve by \$1,100,000
2. Increase the Beginning Fund Balance estimate by \$1,000,000 on a one-time basis to reflect the liquidation of the City Annual Required Retirement Contributions Reserve; and
3. Increase the Franchise Fees revenue estimate by \$100,000 ongoing to reflect higher projected Commercial Solid Waste Franchise Fees.

## ANALYSIS

Since the release of the 2015-2016 Proposed Operating Budget on May 1, 2015, staff has continued to evaluate revenues and expenditures to determine if any adjustments should be brought forward for City Council consideration. As described below, two adjustments to the General Fund funding sources are recommended that would generate an additional \$1.1 million for use in 2015-2016, of which \$100,000 would be ongoing. These funds are recommended to be allocated to the Essential Services Earmarked Reserve.

### Beginning Fund Balance Adjustment

In 2014-2015, \$1.0 million is budgeted in the City Annual Required Retirement Contributions Reserve to set aside funding to ensure the General Fund has sufficient funding to cover the annual required contribution (ARC) for retirement costs. In 2010-2011, the Retirement Boards adopted an ARC methodology, which requires the city to pay a minimum ARC or a percentage of payroll, whichever is greater. The Adopted Budget each year includes sufficient funding to cover the ARC. However, based on actual expenditures during the year, the retirement expenditures by fund may vary from the budgeted amounts. Reconciliations are completed as part of the Annual Report and the year-end budget process to ensure that the ARC is covered and the costs are spread appropriately among the City's 100+ funds.

HONORABLE MAYOR AND CITY COUNCIL

May 27, 2015

**Subject: Increase the 2015-2016 Essential Services Reserve**

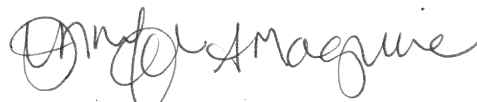
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It is anticipated that the City Annual Required Retirement Contributions Reserve will not be used in 2014-2015, and the Administration is not recommending rebudgeting this reserve to 2015-2016. Based on the actual experience with the implementation of the new ARC methodology, it is anticipated that the General Fund would have sufficient vacancy or other savings at the end of a fiscal year to address any adjustments to retirement costs that have a net negative impact on the General Fund, if needed. If there are not sufficient savings to address a negative variance, the Budget Stabilization Reserve would be available to address the higher costs in a given year if appropriate.

#### Commercial Solid Waste Franchise Fee Revenue Adjustment

An increase to the Commercial Solid Waste Franchise Fee revenue estimate is recommended to reflect an updated Consumer Price Index (CPI) adjustment for 2015-2016. On May 19, 2015, the City Council authorized a Third Amendment to the Commercial Solid Waste and Recyclable Material Collection Franchises Agreement with Allied Waste Services of North America, LLC, dba Republic Services. This third amendment included a Franchise Fee of \$11,342,178 to the City, which included a CPI-based increase of 1.62% (\$181,054) over the 2014-2015 Franchise Fee amount of \$11,161,124. The 2015-2016 Proposed Operating Budget assumed an increase of \$77,032 to the Franchise Fee, based on a then-projected CPI-based adjustment of 0.69%. As indicated in the memorandum approved by City Council on May 19, 2015, the additional funding of approximately \$100,000 was to be used to adjust General Fund revenues based on current tracking levels, if needed, or made available for allocation to the City Council during the 2015-2016 budget process, as appropriate.

Based on this updated information and because the additional funding is not needed to adjust other General Fund revenue categories in 2015-2016, the upward adjustment of \$100,000 to the 2015-2016 Commercial Solid Waste Franchise Fee revenue estimate is recommended to be allocated to the Essential Services Reserve for distribution during the 2015-2016 budget process.



JENNIFER A. MAGUIRE

Senior Deputy City Manager/Budget Director