



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jennifer A. Maguire

**SUBJECT: ADDITIONAL FUNDING
BASED ON THIRD QUARTER
SALES TAX RECEIPTS/PATROL
POLICE OFFICER POSITIONS**

DATE: June 13, 2011

Approved

Date

6/13/11

RECOMMENDATION

Based on early information released from the State Board of Equalization (BOE) on Sales Tax performance for the third quarter of 2010-2011 and based on direction included in the Mayor's June Budget Message for Fiscal Year 2011-2012, the following adjustments to the 2011-2012 Proposed Budget for the General Fund are recommended:

1. Increase the 2011-2012 General Fund Beginning Fund Balance estimate by \$850,000 to recognize additional Sales Tax revenue that is projected for 2010-2011.
2. Decrease the Salary and Benefit Earmarked Reserve by \$46,790.
3. Increase the Police Department Personal Services budget by \$878,665 to restore five Police Patrol Officer positions proposed for elimination effective July 1, 2011.
4. Increase the Police Department Non-Personal/Equipment budget by \$18,125 to restore five Police Patrol Officer positions proposed for elimination effective July 1, 2011.

BACKGROUND

The Mayor's June Budget Message for Fiscal Year 2011-2012 that will be considered by the City Council on Tuesday, June 14, 2011 directed that any actual 2010-2011 third quarter Sales Tax receipts above estimated levels be brought forward by the City Manager in a Manager's Budget Addendum to fund as many additional Police Patrol Officers as possible as part of 2011-2012 budget adoption consideration. Since the release of the 2011-2012 Proposed Operating Budget on May 2, 2011, third quarter Sales Tax cash receipts data has become available. City staff, working proactively with the BOE, has obtained the City's third quarter Sales Tax revenue total in advance of the scheduled June 16, 2011, statement release date. This information results in the availability of additional funding of \$850,000 for City Council allocation in 2011-2012.

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ANALYSIS

Recognizing Additional Funding

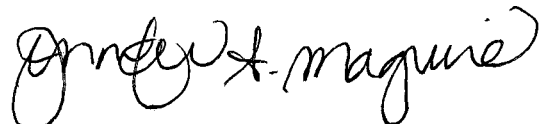
According to the BOE, the City's 2010-2011 third quarter Sales Tax collections total \$30.7 million. This represents a 3.5% increase from the 2009-2010 third quarter Sales Tax collections of \$29.6 million. The 3.5% year-over-year increase for the third quarter exceeds the approximately 1.0% increase assumed in the 2010-2011 Modified Budget and will generate an additional \$850,000 in 2010-2011. An increase of \$850,000 to the 2011-2012 Beginning Fund Balance estimate, therefore, is recommended to reflect the higher than anticipated third quarter Sales Tax performance.

At this point, it is not yet clear how much of the third quarter Sales Tax increase is attributable to third quarter economic activity and how much is the result of positive adjustments for activity in prior quarters. Once the full set of data is released by the BOE later this week, the City's sales tax consultant will perform a detailed analysis to identify the portion of the third quarter Sales Tax collections resulting from that quarter's activity and to allocate the third quarter collections by economic segment.

Because it is not yet known how much of the third quarter increase reflects ongoing activity, and because our economic situation continues to be uncertain, it would be premature to suggest adjustments to the growth assumptions for the fourth quarter 2010-2011 or the 2011-2012 Sales Tax estimate. The scheduled release date for the fourth quarter Sales Tax revenues is September 15, 2011.

Allocation of Additional Funding

Funding for the restoration of five patrol officers (\$896,790) recommended as part of this Manager's Budget Addendum is provided through a combination of the \$850,000 of additional Sales Tax revenue and \$46,790 from anticipated unemployment claims payment savings due to a reduction in sworn layoffs, proposed to be temporarily provided through a reduction to the Salary and Benefit Earmarked Reserve. Staff will bring forward appropriation actions to replenish the General Fund Salary and Benefit Reserve in connection with the City Council consideration of the Annual Report in October to reflect a full reconciliation and appropriate allocation across all funds of actual unemployment insurance savings.



JENNIFER A. MAGUIRE
Budget Director