



# City of Fresno California

*A Guide to the  
Adopted  
Budget*

Fiscal Year 2011





# A Message from the Mayor

September 24, 2010

My Fellow Citizens:

Enclosed please find the Adopted budget of \$953,270,300 for the City of Fresno's Fiscal Year 2011.

As is the case in cities throughout our state and nation, the City of Fresno continues to experience a significant budget shortfall this fiscal year. As a result, the FY 2011 Budget includes painful and deep cuts in City operations. However, this budget proposal also includes an excellent strategic plan that ensures progress towards financial health for the City of Fresno. This strategic plan allows the City to continue to deliver core services while enduring the recession over the next three to five years, begin to pay off debt, and eventually have the funds necessary to make long overdue

*Challenging but fiscally prudent decisions are made in this budget that will serve our residents well now and for years to come.*

capital improvements throughout the City. The FY 2011 Budget was prepared with these short- and medium-term financial goals in mind.

Despite the difficult economy, I am proud to report this budget presents a spending plan that safeguards public safety; fully funds the City's pension obligation; preserves the emergency reserve balance at five percent; plans for the future by rethinking how essential City services are provided; and sets the stage for a

sustainable budget framework into the future. While this budget includes extremely difficult decisions involving spending cuts, it is also important to note the services and programs that **are** funded as a part of the FY 2011 budget:

**Public Safety funding is protected in this budget to the greatest extent possible.** The Police Department will continue to keep our citizens safe by reducing crime, eradicating gangs and graffiti, providing a rapid response to life threatening calls and crimes in progress, increasing safety to motorists and pedestrians, and maintaining the trust of its citizens. The Fire Department maintains 24/7 fire suppression and life-safety services from all fire station locations within the City of Fresno.

**Every City park will remain open and maintained in FY 2011.** Additionally, 7 of the City's flagship recreation centers will remain

open in FY 2011, including the new EOC facility. The remaining 10 community centers are likely to remain open through partnerships with local non-profit organizations.

**A \$906.5 million, five-year capital improvement program is included in this budget.** \$721.4 million of the capital program is focused on two major areas:

utilities and public works. For the first time, the City of Fresno's capital program will be strategically aligned from department to department in order to implement the City's land use, revitalization, and water management goals.

**This budget will implement PIPES (Process Improvement and Permit Enhancement Strategy),** an extensive effort to streamline the City entitlement and development process, support "business friendliness," and invite high quality investment back into the City. **The City of Fresno will make major strides in neighborhood revitalization and economic development in FY 2011** by leveraging its resources and working with dozens of community organizations, residents, property owners, and businesses to implement comprehensive economic development initiatives.

Challenging but fiscally prudent decisions are made in the FY 2011 Budget that will serve our residents well, not just for the coming year, but for years to come. This budget is presented with confidence that our City will be poised to take advantage of opportunities that will present themselves as the economy improves. We look forward to and are vigorously preparing for those days. In the meantime, we remain committed to doing all that we can to serve the public with our existing resources.

Sincerely,

Ashley Swearingin  
Mayor



# City Organizational Chart—FY 2011

## CITIZENS OF FRESNO

### CITY COUNCIL

#### City Attorney

Litigation  
Legal Advisor  
RDA

#### City Clerk

Secretary to:  
City Council  
Redevelopment Agency  
Records Management

#### Redevelopment Agency Executive Director

### MAYOR ASHLEY SWEARENGIN

#### City Manager

#### Fire

Fire Suppression & Emergency Response  
HazMat  
Prevention & Investigation  
Training & Support

#### Police

Patrol & Crime Suppression  
Investigative Services  
Graffiti Abatement  
Special Operations

#### Airports/FYI

FYI Operations  
Airport Projects Management  
Airport Security & Safety  
Chandler Downtown Airport Administration

#### Information Services

Computer Services  
Systems & Network Security  
Help Desk  
Systems & Applications Programming  
Communication Services

#### Convention Center

Managed by SMG as of Jan. 2004  
Sporting Events  
Conventions  
Concerts

#### Transportation/FAX

Bus Service  
Bus Repair/Maintenance  
Planning  
Paratransit

#### Development & Resource Management

Planning/Land Use Mgmt  
Building & Safety Inspection  
Development Review  
Sustainability Fresno  
Code Enforcement  
PIPES

#### Public Utilities

Water Production, Quality & Delivery  
Solid Waste Services  
Recycling Program  
Wastewater & Sewer Management  
Community Sanitation  
Operation Clean-Up

#### Finance

Financial Reporting/Grants  
Accounting  
Bond Funding  
Utility Billing & Collection  
Business Tax/Permits

#### Personnel Services

Recruitment & Exam  
Job & Salary Analysis  
Civil Service Board  
Risk Management  
Training  
Labor Relations  
Employee Benefits

#### General Services

Fleet Management:  
Acquisition & Maintenance  
Purchasing  
DBE Program  
Facilities Management  
Central Printing

#### Budget & Management Studies

Budget Development  
Budget Monitoring  
CDBG Monitoring & Administration  
Internal Audit  
Master Fee Schedule  
Administration

#### Downtown & Community Revitalization

Downtown Revitalization  
Local Business Initiatives  
Neighborhood Revitalization  
Housing & Community Development  
Incentive Zone

#### Parks, After School, Recreation & Community Services

After School Programs  
Park Maintenance  
Recreation Programs  
Community Centers  
Senior Programs

#### Public Works

Engineering Services  
Street Maintenance  
Capital Project Management  
Traffic Operations Center  
Parking Services  
ADA Citywide Program  
Traffic Signals & Streetlights

# Critical Issues for FY 2011

The FY 2011 Adopted Budget was prepared with three major strategies to address our \$30.6 million revenue shortfall:

- **Contracting the Organization** - Continued contraction of our ongoing operations through departmental cuts;
- **Changes in Operations** - Implementation of changes in the way we do business, including outsourcing and franchising some City services and significant streamlining of land use management, capital improvements, and utility planning and operations; and
- **Use of City Emergency Reserves** - Use of savings to pay for one-time costs related to contracting the organization.

## Contracting the Organization

As we strive to maintain City services and retain valued employees who provide them, we also remain committed to developing an organization that will emerge from the recession leaner and more efficient. Regardless of the economic cycles it is incumbent upon government to evaluate operational priorities and staffing needs to eliminate redundancy or overstaffing where technological improvements have rendered certain functions obsolete. It is important to balance this analysis in a manner that is equitable to employees and taxpayers alike, and to adhere to the principle that serving the public is our first priority.

## **General Fund Departmental Reductions**

The schedule below is a summary of appropriations from FY 2008 through Adopted FY 2011 by General Fund department; as represented in the schedule below, it is clear that every attempt is being made to protect funding for our public safety departments to the

fullest extent possible. The Police and Fire Departments' appropriations total over 80.3 percent of the total General Fund. Even though their budgets are growing from the FY 2010 Amended they also experienced contraction in services and employees due to rising costs for personnel salary and benefits, insurance, utilities and pension contributions.

Several significant mandated or contractual obligations required the Police Department's FY 2011 budget to naturally increase over the FY 2010 Amended Budget. Various obligations occurred in the Department's FY 2011 personnel, non-personnel (O&M), and inter-departmental (ID) charges. For example, the FY 2011 contractual growth in the Department's personnel costs are primarily driven by: 1) \$3,870,900 increase for salary and supplement payments per Memorandum of Understanding contractual obligations, coupled with a significant increase for Citywide Health and Welfare fringe obligations; and 2) \$6,847,500 rise in pension obligations which reflects the need for greater City contributions to the retirement system as investment returns have not provided sufficient resources to cover future liabilities.

The O&M budget for PD includes \$150,000 to fully fund jail booking fees for FY 2011 due to anticipated State budget issues not covering the full cost as in prior years. A second contractual increase relates to \$386,400 in anticipated utility billings for PD's Headquarters and Annex buildings. Budget policy was established to transfer oversight of payment from the Facilities' Division (General Services Department) to the Police Department starting in FY 2011. A corresponding savings is reflected in the Department's Interdepartmental budget charges.

	FY 2008 Actual	FY 2009 Actual	FY 2010 Adopted	FY 2010 Amended	FY 2011 Adopted	FY 2011 Increase/(Decrease)	
City Council Department	3,175,000	3,045,700	3,111,600	3,442,700	3,006,700	(416,000)	-12.15%
Office of the Mayor and City Manager	1,856,800	2,863,400	2,162,200	1,998,100	2,058,600	60,500	3.03%
City Clerk's Office	767,100	715,700	724,500	675,000	635,300	(39,700)	-5.88%
Police Department	135,747,200	133,764,500	125,909,700	121,127,600	125,833,200	4,705,600	3.88%
Fire Department	46,599,000	46,213,300	42,907,100	42,021,200	45,090,300	3,069,100	7.30%
Parks, After School, Rec & Com Svcs	22,740,200	23,014,600	19,690,300	17,861,100	15,709,900	(2,151,200)	-12.04%
Public Works Department	16,576,700	14,822,500	12,025,400	11,315,600	3,219,500	(8,096,100)	-71.55%
General City Purpose Department	1,258,300	1,712,800	1,285,400	1,290,100	977,900	(475,700)	-24.20%
Downtown/Community Revit Dept	1,530,600	1,502,600	1,560,700	1,445,800	970,100	(275,700)	-32.90%
Development and Resource Mgmt	1,135,800	688,800	1,014,300	1,537,300	556,400	(980,900)	-63.81%
Finance Department	14,550,600	14,683,600	16,342,600	21,384,300	14,817,500	(6,566,800)	-30.71%
Totals	245,937,300	243,027,500	226,733,800	224,078,800	212,875,400	(11,203,400)	-5.00%

# Critical Issues for FY 2011

The Department's FY 2011 ID budget reflects considerable "pass-through" increases. ID "pass-through" charges with the largest growth corresponded to a \$2,114,300 increase for property and liability self-insurance costs, reflecting historical activity of claims processed for the Department.

The Fire Department also has several significant mandated or contractual obligations that require funding in excess of \$4.6 million. For example, the FY 2011 contractual growth in the Department's personnel costs are primarily driven by: 1) \$2,241,400 increase for salary and supplement payments per Memorandum of Understanding contractual obligations, coupled with a significant increase for Citywide Health and Welfare fringe obligations; and 2) \$2,158,400 rise in pension obligations which reflects the need for greater City contributions to the retirement system as investment returns have not provided sufficient resources to cover future liabilities.

The O&M budget for Fire includes \$249,100 to fully fund lease payments for FY 2011 due to the acquisition of 3 engines. The lease language for these apparatus was included in the FY 2010 budget. An additional \$36,000 was added the Department's O&M to fully fund expected operational costs for FY 2011.

The Fire Department will continue with the redeployment strategy implemented during the FY 2010 mid-year adjustments. The Police Department will meet its budget goals through sworn and civilian attrition and retirements and civilian reductions, in addition to eliminating and/or reallocating operations and maintenance costs.

The labor agreements for Police sworn personnel do not permit furloughs or demotions. However, at the time of publication of this document, the City, FPOA and FPOA Management have begun negotiations to reach an agreement that would achieve \$3.0 million in concessions. The value of those concessions has been built into the budget assumptions.

## Summary of Service Impacts Resulting from Reductions

Reductions have been made throughout the organization to address the shortfalls resulting from the severe recession that began in December 2007. On the expenditure side, the City is incurring some unavoidable cost increases next year. These include employee compensation and benefit cost increases, property and liability insurance increases, and escalating pension contributions. Proactive measures that began during FY 2009 and have been ap-

preciably expanded with this budget plan must continue to ensure that the City can continue to meet its increasing demands. Therefore, difficult spending reduction decisions and strategies have been employed to avoid huge operating shortfalls in future years. The actions taken to address the revenue shortfalls include: (1) continued contraction of our ongoing operations; (2) changes in the way we do business; and (3) use of savings to pay for one-time costs related to contracting the organization. These difficult options are discussed below:

## POLICE DEPARTMENT

**Attrition and Retirement of Sworn Personnel:** *The Department has projected 13 Police Officer positions becoming vacant in FY 2011 as a result of normal attrition occurring throughout the fiscal year. In*

*addition, four non-management sworn positions are projected to become vacant due to anticipated retirements during the year. At the time of this document's publication, the Department has also presented a severance plan to the sworn management group, which was being discussed and formalized.*

- Positions vacated through attrition and retirement of sworn personnel will result in projected personnel cost savings of \$1,648,600.

**Fresno Police Officers Associations' Concessions:** *At the time of budget adoption, the City and FPOA reached a Tentative Agreement on concessions resulting in personnel cost reductions of \$3,000,000*

- FPOA concessions prevented significant additional cuts in PD civilian personnel and/or other General Fund operations.

**Funding Shift for District Crime Suppression Team (DSCT):** *Five DSCT officers, traditionally funded with General Fund monies, will be funded through the Community Development Block Grant (CDBG) in FY 2011.*

- Reduces strain on General Fund budget and prevents further reduction in PD civilian personnel and/or other General Fund operations.

**Attrition and Retirement of Non-Sworn Personnel:** *A total of 43 civilian positions were identified for elimination through attrition, retirement and personnel reduction to reduce staffing costs and to contribute toward balancing FY 2011 projected General Fund revenues and expenditures.*

- A transfer of duties to sworn officers will occur, predominately with the reduction of Community Service Officers (CSOs) and

*"As we strive to maintain City services and retain valued employees who provide them, we also....adhere to the principle that serving the public is our first priority."*

Police Cadets (Cadets). For example, transporting prisoners and hospital standby duties traditionally assigned to CSOs will be reassigned to Police Officers. In addition, Police Officers will be required to respond to lower priority calls that normally would be handled by CSOs and Cadets. Police Officers will be sent to these calls when no life threatening calls (priority 0) and in progress crimes (priority 1) are holding. When a life threatening call for service or a crime in progress occurs and no Police Officers are available to respond, an Officer handling a lower priority call will be broken from that call and re-dispatched.

**Increased Operations and Maintenance Budget:** *The FY 2011 Department budget reflects a \$292,000 increase from the FY 2010 Amended Budget primarily for anticipated contractual obligations for Operations and Maintenance.*

- Budget fully funds jail booking fees expected to be under-reimbursement by State (\$150,000). Also anticipates a transfer of utility billing oversight for PD Headquarters and Annex buildings. (\$386,400). Increases offset by savings through re-negotiation of Data911 maintenance contract (\$250,000); savings from termination of Southeast and Central Annex leases and associated utility changes resulting from relocation plan (\$131,200); elimination of operational expenditures related to the Mounted Patrol Unit in FY 2011 \$9,500. However, PD is in the process to establish private donations to fund the Mounted Patrol Unit.

**Increased Inter-Departmental (ID) Charges:** *The Department's ID charges increased overall by \$507,100; to fund services provided by City Departments. Many of these are pass-thru cost such as insurance, utilities and fuel.*

- Budget includes Increase for property and liability self-insurance costs reflecting historical activity of claims processed for the Department (\$2,114,300). Increases Facilities' maintenance support related to PD taking full occupancy of the City Hall Annex Building starting in FY 2011 (\$64,400). Also includes funds for a new Graffiti Truck at (\$120,000). Increases balanced by savings from 15 percent budget reduction resource policy applied to all citywide internal service departments (\$689,300); Fleet savings from anticipated lower maintenance, parts, and fuel costs for FY 2011 (\$595,900); Cell phone savings from usage audit resulting in elimination of 157 phone devices and 71 service plan modifications (\$120,000); reduced Facilities' support per budget policy to transfer utility billing over-

sight from the Facilities' Division to PD starting in FY 2011 (\$386,400).

### FIRE DEPARTMENT

**Extension of Current Policies in Staffing, Inspections, Hydrant Maintenance, Training and Purchasing:** *The Department is continuing with measures undertaken in the FY 2010 mid-year plan, including a minimum daily staffing level of 66 in the metro area, transfer of all fire inspections to the Prevention and Investigation Division, completion of all biannual fire hydrant maintenance by suppression personnel, elimination of non-mandated training to minimize overtime, and elimination of equipment purchases or replacement not deemed mission critical or essential to safety.*

- Staffing level provides one company (3 firefighters) to each fire station in the metro area. However, as a result of inherent fluctuations in staffing needs from day to day and current MOU provisions, there will be days when personnel availability exceeds the number of vacancies. In those instances, the Department will add a fourth firefighter or place additional companies in service for that particular day. This strategic redeployment provides the best opportunity to meet the Department's service level objectives. This deployment also maximizes the number of firefighters in the relief pool that are used to provide shift coverage for vacancies resulting from unscheduled holiday, vacation, leave without pay, sick or injury leaves - thus minimizing overtime/shift replacement expenditures.

### PARKS, AFTER SCHOOL, RECREATION & COMMUNITY SERVICES

**Neighborhood Centers Staffing and Services:** *Seven neighborhood centers (including the EOC center) will be fully staffed in FY 2011. Temporary staffing for the remaining 10 neighborhood centers is provided through September 2010 under the Federal "80/20" program.*

- Staffing resources for FY 2011 will be devoted to 7 larger centers where services and amenities require higher level of management and which serve the greatest number of residents. Existing senior centers will continue. In an effort to sustain services at 10 smaller sites, a Request for Information (RFI) process has been initiated to solicit interest from Community Based Organizations (CBOs) to form community partnerships with the City for the ongoing operation of these centers. Proposals resulting from this RFI process will be presented to the City Council subsequent to budget adoption.

# Critical Issues for FY 2011

**Reduction in Parks Maintenance:** Funding for parks maintenance staffing has been significantly reduced for FY 2011 and will focus primarily on meeting health and safety requirements.

- Frequency of mowing, landscaping and non-critical repair service will be reduced at all 70 park facilities, however all work that is health and safety oriented will continue to be performed daily, such as visual safety checks, cleaning and restocking of restrooms, and interior trash removal. The exploration of outsourcing options for parks maintenance is currently underway.

*Reductions have been made throughout the organization to address the shortfalls resulting from the severe recession that began in December 2007.*

## **PUBLIC WORKS DEPARTMENT**

**Gas Tax Swap and Maintenance of Effort Requirement (MOE):** Due to the State eliminating statewide sales tax on gasoline, and with it, the funding source for Prop 42 in the 2010 Transportation Tax Swap Package, General Fund operating funds in Public Works for MOE reduced by \$6.6 million, resulting in the elimination of 29 operating positions and two vacant capital

positions assigned to No Neighborhood Left Behind (NNLB) project.

- Of 26 positions eliminated, 14 will come from Street Maintenance Division resulting in reduction of two out of six concrete maintenance crews. Three remaining concrete crews will focus on emergency repairs and will service half the number of locations serviced in FY 2010. One remaining ADA concrete crew will complete installation of 600 pending curb cuts.

**Street Resurfacing Reductions:** Due to reductions in the revenue available for street resurfacing projects, the number of Public Works crews performing this work will be reduced by 50 percent from FY 2010.

- Funding for pavement maintenance on the City's 3,700 approximate lane miles of public street surfaces will decline by 32 percent from FY 2010 to FY 2011. As a result of reduced pavement maintenance, the Department expects the number of potholes to increase on City streets. Therefore, Public Works will expand its pothole repair efforts by 60 percent in FY 2011, thereby preserving response times and providing temporary abatement of this impact.

**Suspension of Neighborhood Tree Trimming Program:** In FY 2011, the Department proposes to discontinue contracted residential tree trimming services.

- For a number of years Public Works had provided trimming services to its 172,000 trees, located along city streets and in other public right-of-way areas, with tree trimming occurring on a 12-year cycle. Due to funding reductions in FY 2010, the tree trimming program was extended to a 16-year cycle.
- In FY 2011, the Department will suspend the Neighborhood Tree Trimming Program until the economic conditions improve and a continuous funding source can be identified. The Department will continue to provide emergency response services for fallen trees, which is available 24/7. Tree trimming will also still occur along major travel corridors and in areas necessary to continue to provide services.

## **DOWNTOWN & COMMUNITY REVITALIZATION**

**Reduction in Partnership Funding to Economic Development Corporation (EDC):** The Department will reduce its level of partnership funding to the EDC from \$366,000 to \$100,000 in FY 2011.

- Department staff will expand collaboration with the EDC through staff networking and other avenues to support and promote the goals of both agencies.

## **INTERNAL SERVICE FUNDS**

**Citywide Reduction in Internal Service Fund (ISF) Budgets:** The budget policy for FY 2011 requires ISF Departments to absorb a 15 percent reduction in resources as compared to FY 2010 Amended Budget and to fully absorb cost increases relating to labor agreements, pension and Health & Welfare increases.

- FY 2011 staffing reductions include deleting 71 positions of which 51 are filled. In past years, ISFs utilized expected carry-over from previous year to offset reductions and to help fund current year operations. With ISF reserves near zero, however, each ISF will most likely be required to implement further staffing reductions and operational cuts in FY 2012 to maintain a balanced fund.

## **TRANSPORTATION/FAX**

**Reduced Availability of 15-Minute Route Service:** 15-minute service is currently provided on four routes for 12 hours each day. 15-minute service will now be provided for six hours daily.

- 15 minute service on Routes 28, 30, 34 & 38 will now be provided three hours in the morning and three hours in the afternoon/evening for a total of six hours daily.

**Change in Holiday Service Schedule:** Frequency and availability of service will change on specified holidays.

- Service on Fourth of July and New Years Day will change from 30-minute frequency service to one-hour frequency service. Service will be discontinued on Christmas Day and Thanksgiving Day. Other Holiday service schedules are unchanged.

**Elimination of Fresno State Football Service:**

- FAX service will no longer be provided for CSU Fresno during Fresno State Football games.

**Reduced Service Frequency to Clovis:** Service on Shaw Avenue into Clovis will be reduced to 30 minute frequency.

- Service on Shaw Avenue into Clovis will be provided at 30-minutes frequencies, consistent with Clovis' service contract. Currently, service is provided at 15-minute intervals to Clovis.

**Transit Rates and Services Review Effort:** The Department has established a Transit Rates and Services Committee to evaluate and make recommendations on issues such as fare structure and service efficiencies.

- The Committee is currently reviewing transit fares and the fare structure. The Committee will hold public forums to involve the community in the effort in the coming months. Findings and recommendations will then be submitted to the Mayor and City Council for review and consideration.

**SUMMARY OF EMPLOYEE IMPACTS FROM REDUCTIONS**

The Position Authorization Resolution (PAR) will reflect the deletion of 370 positions that have carried as frozen or vacant up until this year. In the current year budget an additional 304 positions are deleted as shown on the table below.

**Employee Retirement Incentive** - The level of staff reductions would have been greater by 24 positions if the Employee Retirement Incentive (ERI) for the General Fund and ISF departments had not been implemented. The ERI for General Fund and ISF departments resulted in 29 participants chosen, of which 5 positions were scheduled to be eliminated, leaving 24 additional positions that would have had to have been cut. Please see the "Budget Strategy #3: Use of Reserves" section below for additional information on the ERI.

Department	Positions Deleted		Total Deleted Positions	Percentage of Positions (FTE)
	Filled Positions	Vacant Positions		
Mayor/City Manager	1	1	2	9.2%
City Council	0	1	1	4.3%
City Clerk's Office	2	0	2	40.0%
City Attorney's Office	2	2	4	10.3%
Police Department	56	16	72	7.0%
Fire Department	8	8	16	4.1%
PARCS	46	1	47	55.0%
Public Works	21	7	28	10.6%
Retirement Office	1	0	1	10.0%
Development and Resource Mgmt	0	5	5	3.2%
Department of Public Utilities	1	2	3	0.4%
Transportation/FAX	35	21	56	16.4%
Information Services Department	14	2	16	28.6%
Finance Department	7	7	14	13.9%
Budget & Management Studies	0	2	2	15.4%
General Services Department	24	5	29	27.9%
Personnel Services Department	4	2	6	16.8%
<b>Total</b>	<b>222</b>	<b>82</b>	<b>304</b>	<b>8.8%</b>

**Changes in Operations**

The contraction of our General Fund and ISF departments alone does not result in a balanced budget in FY 2011 or for the foreseeable future. In addition to making cuts to our ongoing operations, we must also evaluate how to fundamentally change the way in which we deliver services in order to achieve a balanced budget. We must also make the changes necessary to streamline and improve our existing operations to improve efficiencies and out-

# Critical Issues for FY 2011

comes. In doing so, the City of Fresno will be well poised to take advantage of opportunities when the economy starts to improve. Thus far, we have identified the following significant changes to City operations that will yield revenue for the General Fund and/or improved efficiencies and outcomes while reducing expenses.

**Franchising Commercial Solid Waste Operations** - The FY 2011 Budget has been built upon the assumption that the City will franchise commercial solid waste operations (i.e. business customers, not residential customers) beginning January 2011 and will completely divest itself of the business of collecting the solid waste of 9,100 business customers in the City of Fresno. The budget realizes half of the expected annual revenue from a potential franchise agreement to the General Fund, and the operating costs expected for the second half of FY 2011 have been put into contingency. Please note that separate action by the City Council will be required to actually approve franchise agreements for commercial solid waste operations. Adoption of this budget alone does not divest the City of its commercial solid waste operations. The City Council will be asked to debate and vote on this course of action separate from the budget adoption.

The transition to privately-owned service providers presents a number

of potential benefits to the City, most notably franchise fee collection opportunities to benefit the City's General Fund and introduction of commercial solid waste service competition. Based on previous analysis, it is estimated that a 10 percent franchise fee would generate \$2-\$3 million annually to the City's General Fund. This estimate may be conservative based on the level of franchise fees collected by other cities. Currently,

the City's commercial solid waste operations contribute approximately \$20.5 million or 42 percent of total solid waste revenues. The benefits are:

- The City will be able to collect a franchise fee from the commercial solid waste franchisee(s), to be available as additional revenue to the General Fund. The net benefit to the General Fund has been estimated at \$2-\$3 million annually.
- Franchising the City's commercial solid waste operations would provide increased competition, accountability and discipline into the marketplace, which may eventually result in

lower prices and improved service for commercial solid waste customers.

- The business can potentially be run more efficiently by a franchisee(s) due to their lower overhead and other possible operating efficiencies.
- The City would eliminate any liability for commercial truck accidents.
- The City will realize revenue from selling the 42 clean-air, front-loading trucks that currently service commercial customers.

There are still a number of issues to be considered and analyzed related to franchising, including the future status of the 125 employees dedicated to commercial operations; how the City will ensure compliance with waste diversion mandates; and in what manner the City will ensure appropriate rate structuring and customer satisfaction goals for commercial solid waste customers.

To date, the Department of Public Utilities (DPU) has met with Solid Waste employees, and the Labor Relations office has held preliminary discussions with business agents of bargaining units whose members could be affected. On April 8, 2010, CMO and DPU staff held an initial meeting with area private haulers, and another meeting is planned in the near future seeking further hauler input prior to issuing the Request for Proposals (RFP). A meeting with selected commercial customers, both large and small, took place Wednesday, April 14, 2010. DPU staff also recently met with County officials to discuss their solid waste franchise, which was driven by State mandated waste diversion goals. The Department has contracted with a consultant experienced in franchising waste operations to assist in developing the RFP and related contract documents. It is expected that the RFP will be released to the public in July 2010, with the goal of taking a contract to Council for approval in September, and full implementation of the program by January 2011.

*The FY 2011 Budget contains funds for PARCS to continue to keep all of the City's parks open and to provide parks maintenance services.*

*We must also make the changes necessary to streamline and improve our existing operations to improve efficiencies and outcomes.*

**Outsourcing Park Maintenance** - The FY 2011 Budget contains funds for PARCS to continue to keep all of the City's parks open and to provide parks maintenance services. However, the maintenance will be performed at dramatically reduced levels. To improve service levels and possibly realize additional savings, the Office of the City Manager and the PARCS and Public Works Departments are examining the possibility of outsourcing maintenance of the City parks to the private sector. The goal of this effort is to determine if the quality and cost of these services can be improved by contracting with local landscaping companies to maintain parks and other green spaces located within designated landscape areas.

At this time, the envisioned scope of work would include mowing, minor irrigation repair and landscape maintenance (i.e., all weeding, spraying, raking, litter pick up, trash removal, low-limb pruning, replacement of plant material, ongoing pruning of all shrubs, leaf sweeping, turf surface repair and inspection, graffiti removal, ball field preparation and safety inspections of the facility). Parks currently maintains approximately 1,600 acres of parks, trails, and building landscaping.

Initial public discussions with landscape companies have yielded insight into the potential for the City to enhance the maintenance service levels the City parks in FY 2011 if maintenance is performed by the private sector. A Request for Proposals was released, and responses are due in June. As late spring and summer are the most intense periods for maintenance activities, it is expected that any transition to private operators would not take place until Fall 2010.

**Partnering with Community Based Organizations (CBOs) to Operate Community Centers** - The City's park system includes 17 community and recreation centers. The FY 2011 Adopted Budget assumes that, of the 17 centers, 10 will close effective October 1. PARCS will continue to operate seven centers throughout FY 2011, including the new EOC facility. These seven centers are considered "flagships" of the Department, which is a designation given to the centers that provide services or amenities that require a greater level of management or oversight due to:

- Higher daily attendance by the public;
- Designation as an "emergency shelter" in association with the American Red Cross and the City's emergency efforts;

- Extensive outdoor sports usage (Basketball, Soccer, Tennis, Lawn Bowling, Baseball/Softball fields);
- Demand for auditoriums, social halls, or sports fields; and
- Current occupation by other agencies (Head Start, Fresno County Libraries, Chicano Youth Center, Office of Independent Review, etc.).

The seven flagship centers that will be operated throughout the next fiscal year are Dickey Youth Development Center, Ted C. Wills, Mosqueda, Romain, Frank H. Ball, Holmes, and the EOC Youth Center.

This leaves ten remaining neighborhood centers in jeopardy of closing on October 1<sup>st</sup>. They are: Einstein, El Dorado, Fink White, Highway City, Lafayette, Mary Ella Brown, Melody, Pinedale, Quigley and Sunset. To avoid closure of these centers, the administration

has been working diligently with the non-profit community to identify partners who may be willing to operate these centers at the same or greater levels of service than the City currently provides.

To investigate whether such an approach is feasible, the administration has conducted two public meetings with the non-profit community, a "Request for Information" (RFI) process, interviewed interested organizations, and convened a community panel to review the responses to the RFIs. Fortunately, we have received some quality proposals from the non-profit community and are reasonably confident we will be able to match the ten affected centers with non-profit sponsors. We expect to bring recommendations and proposed leases

for the City Council's consideration within the coming weeks. The partnerships with the non-profits will be considered as separate items from the budget adoption process.

**Streamlining the Organization** - As described in the Jobs and Economic Development section below, the Administration has been engaged in an extensive effort to streamline and properly align its resources and personnel to improve the City's land use planning and development services. Known as "PIPES" (Process Improvement and Permit Enhancement Strategy), the effort has included an in-depth review by an outside consultant of the City's Planning and Development Department, Department of Public Works, and Department of Public Utilities to identify bottlenecks, opportunities to streamline, and gaps in administrative policy to ensure that high quality development proposals move smoothly through City Hall.

*"...the Administration has been engaged in an extensive effort to streamline and properly align its resources and personnel to improve the City's land use planning and development services. This effort is known as "PIPES"*

# Critical Issues for FY 2011

The effort now also includes review and input by the Mayor's PIPES Blue Ribbon Task Force and staff training to incorporate the new development practices. Through the PIPES initiative, it has become clear that there are a number of changes that should occur if we want to achieve our goals. Specifically, the City's organizational structure should be changed to (1) expand the focus of the Planning and Development Department to include long range planning for utilities and traffic creating the "Development and Resource Management" (DARM) department, which would align land use, traffic and utility planning functions in one department; and (2) consolidate capital project management in one location (Department of Public Works) instead of fragment resources across both the Department of Public Works and the Department of Public Utilities and creating a duplication of staff. This realignment will allow these departments to refocus on their core businesses. DARM will be the policy and management center for planning Fresno's future growth and enable all the elements involved in that task to be centered in one department, with one vision and one mission. The reorganization also supports the staffing relationships required to successfully implement the PIPES reforms. Public Utilities will be able to stay focused on the critical task of managing and maintaining one of the finest utility systems in the nation. Public Works will continue its focus on the complex task of designing and constructing the City's infrastructure assets in addition to maintaining the City's streets and byways. In addition to better aligning the City's financial and human resources, the above changes will also result in streamlining and future savings for utility rate payers.

Discussions with the affected departments and staff are ongoing to ensure that the proper staffing and tasks are identified, with the change in responsibilities and reporting to take effect after July 2010.

In the same spirit of resource alignment and focus, the Housing Division of the Planning and Development Department is being transferred to the Downtown and Community Revitalization Department (DCR), reflecting the high priority being given to neighborhood revitalization in Central Fresno and the synergy between the work of the City's Neighborhood Revitalization Manager and the expertise and resources of the Housing Division.

**Strategic Planning for the City's Capital Improvement Program (CIP)** - As per usual, the FY 2011 Budget includes a five-year capital improvement program that outlines over \$906.5 million in capital improvements of which \$721.4 million are to be made in two major

areas: utilities and public works. In preparing the FY 2011 Budget, the Mayor and City Manager's Office identified the need to conduct an intensive, comprehensive review of the City's overall capital improvement program to ensure we are aligning utility and public works improvements with the City's land use and water management goals that are identified in the 2025 General Plan/2035 General Plan Update, the soon-to-be completed Metropolitan Water Resources Management Plan, and the ongoing Fulton Corridor Specific Plan and Downtown Neighborhood Community Plan. And, now more than ever, the capital plan must take into consideration the financial impact to its citizens, balancing the ever changing needs of the city with the capacity of the population to finance those improvements and the maintenance that comes with them. This is especially true of capital funded through utility rates and critical decisions will be made concerning the pace and timing of the utility capital program using the dollars available.

The Mayor has directed the City Manager to work with appropriate departments to review and revise the City's FY 2011-FY 2015 CIP and bring it back to City Council for review and adoption. After review by the Mayor and City Council, the finished process will result in a robust capital plan that will allow the City to actually implement the policies outlined in the City's general plan, water management plan, and urban core land use plans. Therefore, while we are asking the City Council to review and adopt the five-year CIPs included in the FY 2011 Adopted Budget, please understand that there will likely be a revised CIP brought to the Council in early FY 2011 once the comprehensive analysis is complete.

## Use of City Emergency Reserves

Like every city in California, the City of Fresno faces incredibly daunting challenges in balancing this year's budget. As already mentioned, in order to make the major expenditure reductions to live within our means, we are contracting the organization at unprecedented levels and changing our operations to address structural alignment and to achieve future balanced budgets. Implementation of these changes will realize millions of dollars of savings into

*In addition to making cuts to our ongoing operations, we must also evaluate how to fundamentally change the way in which we deliver services in order to achieve a balanced budget.*

the future that will stabilize expenses, thereby creating a sustainable trajectory for the General Fund. However, implementing these changes also creates significant one-time expenses that cannot be absorbed by the General Fund. Therefore, the FY 2011 Adopted Budget assumes the use of \$6.35 million of the City's Emergency Reserve to fund the Employee Retirement Incentive, employee leave payoffs related to layoffs, and unemployment insurance costs.

**Employee Retirement Incentive** - The General Fund cost of the Employee Retirement Incentive (ERI) is approximately \$1.354 million which includes the \$1.050 million in incentives and \$304,000 in the cost of employee leave payouts. The program was limited to \$1 million in incentives since it is an untested program, and the funding is coming from the reserves which will also be funding other one-time expenses related to contraction. The ERI was designed to provide future personnel savings for the General Fund by offering an incentive to qualifying employees to leave service early. The estimated annual salary and benefits savings from retiring positions is \$2.1 million annually assuming the positions are not filled. The program was also offered to Enterprise Departments in an effort to either provide savings for those funds or create open positions to be filled by other city employees impacted by layoffs.

There were 62 General Fund and Internal Service Fund applicants whose total incentive exceeded \$2.1 million and payoff of an additional \$705,000. In order to maintain fairness in who was chosen for the incentive, a lottery was held on April 14, 2010. Labor representatives and staff were invited to attend. All 62 qualifying applicants were included in the lottery. Names were drawn and listed until all applications were exhausted. The first 29 employees drawn consumed the \$1 million incentive. However, if any of those employees withdraw prior to May 29, 2010, the next eligible applicant on the list will qualify.

**Employee Leave Payoffs** - The projected cost of General Fund and Internal Service Fund (ISF) employee leave payoffs related to layoffs is \$2.4 million. While this is an expense, it also relieves the City's balance sheet of future liability in an equal amount and will reduce future pension retirement obligations.

**Unemployment Costs** - Finally, the cost of unemployment associated with the FY 2010 mid year actions and normal attrition is estimated at \$2.5 million and has been funded with ongoing revenue. The cost of contraction related to the FY 2011 Adopted actions is

estimated at \$2.6 million and is proposed to be funded from the reserve. The assumptions used to calculate the unemployment are as follows:

- City pays for up to 26 weeks of regular benefits – the average temporary employee benefit is \$241 per week, and the average permanent employee benefit is \$450 per week;
- First Federal extension is paid by the federal government for up to 20 weeks;
- Second Federal extension is paid by the federal government for up to 13 weeks;

- Federal-State Extended Benefits (Fed-Ed) program is paid by the City for up to 20 weeks.

Employees terminated prior to and into January 2010 that have not found work will qualify for the Fed Ed extension in FY 2011. Employees terminated January through June of FY 2010 that have not found work will qualify for a few weeks of regular benefits and may qualify for Fed Ed extension in FY 2011. Employees that are terminated as of July 1, 2010 will qualify for up to 26 weeks of regular benefits in FY 2011 and may qualify for Fed Ed Extension in FY 2012. The combined cost of the ERI, Employee Leave Payouts and Unemployment for FY 2011 contraction is \$6.354 million. All of these are one time costs and directly associated with the economic crisis our City is facing.

*Utilizing the Emergency Reserve to fund these expenses is fitting and in keeping with the policy of Executive Order 03-01, which calls for the City of Fresno to establish and maintain a 5% General Fund Emergency Reserve.*

**Executive Order 03-01 Establishing the General Fund Emergency Reserve** - Utilizing the Emergency Reserve to fund these expenses is fitting and in keeping with the policy of Executive Order 03-01, which calls for the City of Fresno to establish and maintain a 5 percent General Fund Emergency Reserve. The current Emergency Reserve balance is \$17.0 million. \$10.650 million is needed to maintain a 5 percent General Fund reserve in FY 2011. Good fiscal practice suggests that reserves or one time savings should be used for one-time expenses as proposed.

In accordance with Executive Order No. 03-01, Mayor Ashley Swearingin is declaring a fiscal emergency with the presentation of the Adopted budget. A resolution and accompanying Amendment to Annual Appropriations Resolution will be presented to Council for ratification. The funds will be used to pay for the Employee Retirement Incentive in FY 2010, Employee Leave Payouts and Unemployment Expenses related to contraction of the organization in FY 2011.

# Critical Issues for FY 2011

The City of Fresno's General Fund Emergency Reserve was established on January 9, 2004 by Executive Order No. 03-01. Under the Order, the reserve may only be used when the Mayor declares a fiscal emergency that is ratified by the City Council. The Order defines a fiscal emergency as: (1) Natural catastrophe; (2) An immediate threat to health and public safety; or (3) A significant decline in General Fund revenues which, in the opinion of the City Manager, impairs his/her ability to administer the Council adopted budget.

While the adequacy of an unreserved fund balance in the General Fund should be assessed based upon a government's own specific circumstances, the Government Finance Officers Association (GFOA) recommends, *at a minimum*, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund **of no less than five to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures.** Fiscal prudence dictates that the City's General Fund reserve continue to meet minimum 5 percent level, as directed by Executive Order No. 30-01 and as recommended by the Government Finance Officers Association given the unknown depth and duration of the current recession.

## OTHER CRITICAL ISSUES

### State Actions

**Gas Tax Swap and Maintenance of Effort (MOE) Requirement** - On March 23, 2010 Governor Arnold Schwarzenegger signed the Transportation Tax Swap Package which is composed of ABx8 6 and ABx8 9. By eliminating the statewide sales tax on gasoline, and with it, the funding source for Proposition 42 and "the spillover," cities should no longer be required to comply with the MOE provision as previously required under Proposition 42. The League of Cities has researched the code section that applies to Prop 42 funds. It does not allow for some successor source of revenue to also be covered. The new funds are Highway Users Tax Account (HUTA), not Prop 42. Specifically, the Prop 42 MOE is contained in Rev & Tax Code Sec 7104(f). The Assembly will be pursuing clean-up language in a budget trailer bill in the fall.

The budget problem facing the City of Fresno requires that we take extraordinary action to deal with the deficit. This was accomplished by reducing \$6.6 million of General Fund operating funds in Public Works that was previously required as our MOE. The Department has responded by evaluating its programs and services provided

and has reduced services where needed and reallocated capital resources to operations to offset the reduction. This path was essential to balancing the budget regardless of the State's actions. However, we are confident that we no longer also face the option of declining Prop 42 funds due to the strict requirements of MOE.

We will continue to carefully monitor State budget developments to proactively address actions that impact our community.

**Ongoing Monitoring of State Actions** - As we have seen in recent years, actions taken by the State of California can have a major impact on local government funding. The FY 2011 Budget has been prepared without consideration to further cuts that would be necessary should the State take actions that impact the City's General Fund or enterprise funds as a part of the State's FY 2011 budget adoption process. The Mayor has been very active with coalitions of mayors around the state in monitoring and weighing in early and vocally on potential state actions that would impact City services. The City's Government Affairs Manager and state lobbyists are also heavily engaged on this issue. At this point, we cannot fully anticipate proposals that may be advanced through the legislature and the Governor's Office that may impact our FY 2011 Budget, but we will remain very focused on this issue and keep the Council and the public abreast of any changes or threats to our local funding streams.

### Report from Pension Reform Task Force

As the Mayor indicated in November 2009 as a part of the FY 2010 mid-year budget process, the City Manager has convened a Pension Reform Task Force comprised of representatives from the City administration, City Council, private sector, retirement system and bargaining units. A few months ago on March 3, 2010, the Pension Reform Task Force began public hearings to examine the City's existing pension systems. The goals of the Task Force were to assess the financial health of our pension systems and to determine if any corrective actions are needed. We anticipate providing a full report to the City Council when the Task Force concludes its work.

### Job Creation and Economic Development

The above items describe our strategies to balance the budget during difficult times. We believe this plan represents a smart, well thought out approach to addressing our budget shortfall and that we will emerge a leaner, stronger organization on the other side of the economic recession. In the meantime, we are also actively engaged in supporting job creation through:

- The Process Improvement and Permit Enhancement Strategy (PIPES) - Streamlining the City's development processes so our organization is no longer the barrier to high quality private investment in the City;
- Supporting the growth of local businesses;
- Downtown revitalization efforts;
- "Place-based" (i.e. neighborhood specific) community development and neighborhood revitalization efforts; and

Several "special initiatives" that support our overall economic development goals.

### **Process Improvement and Permit Enhancement Strategy (PIPES) -**

In keeping firmly focused on the core service of customer satisfaction, and in response to concerns from the development community, the City of Fresno has analyzed the way it conducts the development entitlement process for plan amendments, rezoning, conditional use permits, and site development plans. The most profound result of this analysis was the realization that the individuals and work units involved in these reviews were fragmented. This alone was the cause of much of the weakness in the entitlement process. Thus, the reorganization described earlier is considered the most critical element of the strategy for implementing the PIPES reforms. Also from this review, a more refined process, which is both transparent and accountable, has been created. Reforms include:

- Streamlining the process so that the amount and type of pre-application drawings and studies required are adjusted to the specific type of project requested. Complete engineered drawings are no longer required for a rezone or plan amendment, saving upfront time and cost.
- Projects are reviewed upon submission and placed in processing paths appropriate for the project. Plan- and policy-consistent projects are simply placed into the system and proceed. Projects that need assistance for requirements or require major policy determination are referred appropriately. Plans will not be delayed behind larger or poorly prepared projects and can continue with processing in a timely manner.
- A staff project manager is now assigned to all projects and will shepherd and coordinate projects through the process. This will increase the communication between applicants and City staff for issue resolution and create a quicker response for applicants.
- Two staff review committees will be organized with the authority to resolve difficult technical and policy level issues in-

stead of allowing them to linger until applicants engage elected officials and/or senior administration officials to resolve the conflict.

- The process has built into its timelines allowances for plans and comments to be corrected without extending the overall process times. Processes include mandated waiting periods (CEQA etc). The PIPES process coordinates plan correction times to coincide with these periods, thereby shortening the process.
- Accountability and transparency are obtained by connecting project data, including expected action dates, to the City's Web site. Any applicant may now go online and determine the status of their project. A process is also in place to deal with projects that exceed required timelines. Historically, no method existed to identify delays and deal with them.

The outcomes of these reforms will be to provide public entitlement services in a consistent and transparent way, in a reasonable time frame, to further support investment and development in Fresno. These improvements will achieve timely, predictable, and high quality development applications that are consistent with adopted plans, policies, codes and state law. The improvements will also position Fresno as a "business friendly" and attractive place to invest and develop high quality projects.

*The Downtown and Community Revitalization Department will continue to coordinate the revitalization of our downtown core.*

**Supporting the Growth of Local Businesses** - By a significant margin, the most effective (i.e. best return for the least investment of time and money) economic development strategy for any community is to focus on the expansion of its existing businesses. The Local Business Initiatives (LBI) section within the Downtown and Community Revitalization (DCR) Department is focused on creating tangible business opportunities for local firms by promoting local business purchasing and hiring within City Hall; cataloging and promoting local companies to the general public to promote buying locally; and staffing networks of local businesses, including licensed contractors, CPA firms, community banks, technology companies, and independent retailers and restaurants. In addition, LBI coordinates efforts with the Economic Development Corporation on business expansion and location projects, as well as the Central Valley Busi-

# Critical Issues for FY 2011

ness Incubator on the start-up and growth of early-state firms in Fresno. As a result, businesses seeking Fresno as a location for launching, expanding, or relocating have a seamless support system to find land, learn about incentives, and to find local employees.

**Downtown Revitalization** - The Downtown and Community Revitalization Department will continue to coordinate the revitalization of our downtown core. Our strategic and methodical approach to downtown revitalization has already begun to yield positive results in the last year, including increased private investment in new buildings, as well as restoration of historic buildings and facades; advancement of the Downtown entertainment district; location of new tenants in Downtown buildings; and continuation of Fresno's AAA baseball franchise, a significant draw for Downtown. In addition, we have begun the process of removing barriers to private investment in Downtown through the development of the Fulton Corridor Specific Plan and Downtown Neighborhood Community Plan. The Property Based Improvement District is another important tool for revitalization that has taken major steps forward in the last year. The model for all these activities is based on coordination of effort and the maximum utilization of resources. Through prioritization and focus we will get the greatest possible result from the resources that are available.

The Downtown Neighborhoods Plan and Fulton Corridor Specific Plan are key initiatives for the next twenty four months. These plans will result in coherent rules and regulations for future development, shortening processing times and reducing development costs while assuring that future development will add to the goals of revitalization and will continue to improve the quality of our built environment.

DCR will continue to work with investors, ensure that downtown projects receive first-class customer service and will coordinate the public and private efforts necessary to re-establish Downtown Fresno as the central gathering place for the Central San Joaquin Valley. Fresno will serve our region as an entertainment hub that also offers services, specialty retail and urban living that cannot be found elsewhere in our region.

**"Place-Based" Community Development and Neighborhood Revitalization** - The City is piloting comprehensive, "place-based" neighborhood revitalization strategies in the Lowell Neighborhood and will expand those strategies to Southwest and Southeast Fresno. The Neighborhood Revitalization and Housing Divisions will continue to make sure that City services are re-focused on our urban core, reversing decades of neglect that have led to the highest

concentration of poverty of any other large city in the nation. The comprehensive strategy relies on coordinating planning, code enforcement, policing, parks, public works, utilities, housing and other City functions to efficiently use resources to bring about revitalizing. The City is also coordinating among dozens of non-profits and community based organizations, churches, schools, other public agencies, and residents. This is a best-practices approach that is both sustainable and replicable in multiple neighborhoods and is not reliant on outside funding.

As DCR department continues to coordinate City efforts we will see increased private sector investment, business expansion, home ownership, community pride and an overall increase in property values, sales, and employment. The result for the City will be an incremental increase in revenues and a decrease in demand for City services, reversing decades of neglect and disinvestment, and improving the City's long-term, fiscal stability.

**Special Initiatives** - While we are methodically focusing on the "fundamentals" of community and economic development as described above, the City is also aggressively pursuing one-time, "special initiatives" as the opportunities arise. Most notably, the City is partnering with the County of Fresno, the Council of Fresno County Governments, and a host of private partners on the Fresno Works' proposal to locate the California High Speed Rail Authority's Heavy Maintenance Facility in Fresno County. The facility would create up to 2,300 permanent, high-paying jobs in the region and would result in a \$1 billion annual economic impact to the area. Should the facility be located in Fresno County, it would be the first of its kind in the nation, making the Fresno Region the nation's capital for high speed rail. Fresno Works submitted a response to the High Speed Rail Authority's "request for expressions of interest." We will submit a formal proposal in the fall of 2011.

The City of Fresno is also vying for Google's fiber optic network build-out. Our proposal was submitted in March and has received national attention. Google is expected to select a "short list" of communities in the fall of 2010 to participate in an extended RFP process. There is tremendous community support for the City's application. We are cautiously optimistic that we may be selected to go to the next round.

This administration is wholeheartedly committed to the "fundamentals" of job creation, economic development and gains in prosperity: education and job training; streamlining and stabilizing government processes; investing in water, sewer and public infrastructure to support private investment; adopting policies and

practices to support the start-up and expansion of locally owned businesses; and revitalizing the urban core and reversing urban blight. The majority of our focus and resources is aimed at getting these fundamentals done correctly in Fresno. However, we understand that unique opportunities like the Heavy Maintenance Facility and the Google fiber network will occasionally present themselves. When that happens, we will do everything possible to ensure Fresno is well-poised to compete and win those contests.

### CONCLUSION

The FY 2011 budget process has been one of the most demanding in the City's history. The unprecedented decline in revenues attributed to plunging tax revenues, sinking property values, a wave of mortgage foreclosures and double digit unemployment were much worse than predicted. This was made more challenging by anticipated cost increases, such as personnel expense increases and retirement contributions, as well as unanticipated increases in Health & Welfare insurance, worker's compensation, property and liability insurance, and additional debt related to support of unrealized investments. Our goal in preparing this budget was to make enough reductions to get through FY 2011 and to progress towards a new, sustainable budget framework in the future.

The 5-year forecast reflects that the City of Fresno is facing another shortfall in FY 2012 which may be mitigated with economic recovery and improved investment outcomes within the retirement systems. However, the administration will begin discussions early in FY 2011 to develop options towards revenue diversification and, unfortunately, additional contraction. Such efforts are imperative to restore the City's fiscal health and continue core service delivery to our community.

Revenues will continue to be carefully monitored and significant changes will be quickly reported to the Mayor and Council. The State's budget deliberations will also be monitored so that, if necessary, we can vigorously defend state-shared revenues. If the State takes actions that impact revenue shared with local governments, the City will be forced to return with additional budget cuts. Given the level of cuts we have already implemented, severe service reductions would have to be considered at that point.

Challenging but fiscally prudent decisions are made in this budget that will serve our citizens well, not just for the coming year, but for years to come. We have protected resources devoted to public

safety, and we have acted in the best interest of the community by living within our means. This budget is presented with confidence that our City will be poised to take advantage of opportunities that will present themselves as the economy improves. We look forward to and are vigorously preparing for those days. In the meantime, we remain committed to doing all that we can to serve the public with our existing resources.

# General Fund Overview

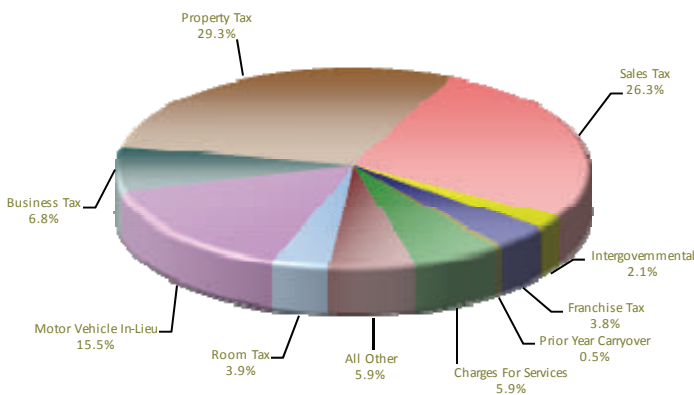
## Balanced Budget

This summary section presents the Mayor's Adopted Budget for the City of Fresno's General Fund. The General Fund as presented is in balance. As such, the amount of budget expenditures is equal to or less than the total anticipated revenues, other resources available and inter-fund transfers. The General Fund is used to account for money that is not legally, or by sound financial management, required to be accounted for in another fund. Major sources of City General Fund revenue include sales and use tax; property tax and local taxes, including business license tax: hotel tax and franchise fees.

The FY 2011 net budgeted expenditures for the General Fund are \$212.9 million. This represents a decrease of \$9.1 million or 4.1 percent from the FY 2010 estimated expenditures or a decrease of \$13.9 million or 6.1 percent from the FY 2010 Adopted Budget. The difference between the FY 2010 estimated expenditures and adopted budgets is the mid-year adjustments that the City implemented to offset decline in revenue. The FY 2011 budget is balanced, prudent and responsive to the City's current economic condition. Projected revenues will be sufficient to support programmed expenditures.

## Revenues

The tone of any government's budget is always set by the availability of resources. Revenues and available fund balances in the General Fund must be able to support budgeted expenditures. The

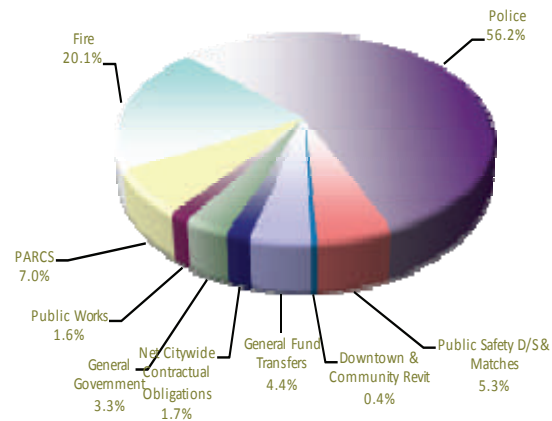


revenues include such categories as Sales Tax, Property Tax, Motor Vehicle License Fee (MVLf), Business License Tax, Room Tax (Transient Occupancy Tax or TOT) and Charges for Services among

others. The top three single revenues generated in the General Fund are Sales Tax, Property Tax and MVLf. They represent 71.4 percent of operating revenue.

## Expenditures

General Fund expenditures are budgeted at \$212.9 million for FY 2011. This is a decline of over 4.1 percent from the FY 2010 Esti-



ated expenditures. This reduction is necessary to align the expenditures with the anticipated ongoing revenues less transfers for obligations. The struggling economy has resulted in plummeting revenues, combined with rising expenses related to contractual obligations, pension contributions, insurance and debt service. The FY 2011 budget is balanced with a surplus \$564,000. However, the five year forecast reflects that the City is facing another shortfall in FY 2012 if there is not a significant turn around in revenues or reductions in expenses. In order for the City to continue to maintain fiscal integrity after FY 2011, it must continue to strategically identify areas for contraction and efficiencies. Revenue forecasts inherently have some degree of uncertainty; however, today's economy is particularly volatile. With little prospect of a quick economic recovery; the City's budget problems demand long-term solutions. As such, the focus is on actions that have ongoing impacts in order to garner enough savings to maintain core services.

## General Fund Overview

**Sales and Use Tax:** The sales tax an individual pays on a purchase is collected by the State Board of Equalization and includes a state sales tax, the locally levied Bradley-Burns-Burns sales tax and several other components. The *sales tax* is imposed on the total retail price of any tangible personal property. A *use tax* is imposed on the purchaser for transactions in which the sales tax is not collected. Sales and use tax revenue received by Fresno is general purpose revenue and is deposited into the City's General Fund.

Sales tax revenue is among the top three largest revenue sources to the City's General Fund. As such, it is important to forecast this revenue as accurately as possible, because even a single percent variation means a difference of \$620,000 to the fund. Historical trends and the health of the local economy are primary measures for projecting this revenue. Management has employed an outside firm to verify that the City receives all of the sales tax revenue that it is entitled, as well as provide an independent resource for forecasting.

**Property Tax:** The largest revenue in the General Fund is property tax. Property Tax has grown an average of 8.7 percent over the five years prior to FY 2009. However, the market has changed substantially over the last two years. Property values on homes traded in the last four years have declined significantly. Included in the FY 2010 Budget is additional property tax revenue related to one-time payments and the correction of an error made by the County that results in additional one-time unbudgeted revenues.

Additionally, the County Assessor made wholesale reductions in the Assessed Valuations (AV). The reassessment resulted in a decline in Property Tax revenue of five percent in FY 2010. Information provided by the Assessor's Office indicates that assessed values will not decline further in FY 2011 however growth is also not expected. The total amount of ongoing Property Tax revenue is projected at \$68.8 million.

**Motor Vehicle License Fee (MVLV):** The MVLV is a tax imposed by the state on the ownership of a registered vehicle in place of taxing vehicles as personal property. Under California Constitution Article XI, section 15, VLF revenue (based upon a rate of 0.65 percent) must go to cities and counties. Since 1948, the VLF tax rate had been two percent. In 1998, the Legislature and Governor began cutting the tax, backfilling the loss to cities and counties with a like

amount of State general fund money. In 2004, the State reduced the rate to 0.65 percent and replaced the State general fund backfill

General Fund Summary (000's)	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Adopted
One-Time Resources/Carryover	18,210	13,541	3,674	1,254
<b>Operating Revenue</b>				
Sales Tax	74,734	67,985	59,955	62,002
MRZ Incentive Credit	(150)	(36)	(64)	(75)
Prop 172 Sales Tax	2,568	2,313	2,131	2,131
Property Tax *	71,675	80,804	69,000	68,805
Motor Vehicle In-Lieu	38,611	38,630	36,359	36,659
Business Tax	16,255	15,529	15,529	16,162
Franchise Tax	7,012	6,701	6,451	8,951
Room Tax	10,605	10,167	9,091	9,091
Real Estate Transfer Tax	1,013	968	850	850
Card Room Receipts	1,427	1,273	1,300	1,400
Charges for Current Services	17,550	14,981	13,655	14,024
Enterprise In-Lieu Fees	322	322	322	322
Intergovernmental Revenues	4,370	5,018	3,715	4,982
Intragovernmental Revenues	4,917	5,238	5,787	5,512
Bond Sale Proceeds	21	314	266	213
All Other	2,818	1,349	3,713	3,480
Total Operating Revenue	253,748	251,556	228,060	234,509
Transfer between Funds	(13,489)	(18,429)	(8,448)	(22,324)
<b>Total Resources</b>	<b>258,469</b>	<b>246,668</b>	<b>223,286</b>	<b>213,439</b>
<b>Expenditures</b>				
Employee Services	162,162	165,909	150,979	137,200
Retirement Contribution	6,571	7,342	10,601	20,132
Pension Obligation Bonds	12,567	12,504	12,499	12,615
Operations & Maintenance	21,981	20,271	17,587	15,077
Interdepartmental Charges	38,770	34,329	28,452	25,292
Bond Capital	21	314	266	213
Minor Capital	3,872	2,252	1,598	1,791
Contingencies	0	91	50	555
Accrual & Encumbrance Adjts	(350)	(178)	0	0
<b>Total Expenditures</b>	<b>245,594</b>	<b>242,834</b>	<b>222,032</b>	<b>212,875</b>
<b>Total</b>	<b>12,875</b>	<b>3,834</b>	<b>1,254</b>	<b>564</b>

to cities and counties with additional property tax in lieu of MVLV.

**Expenditures:** Employee Services costs have decreased \$13.8 million from the FY 2010 estimates. This is a combination of a reduction in workforce, a reallocation of staff to grant funds and concession assumptions in the calculation of costs.

The contraction of the City of Fresno's General Fund revenues requires that expenses be reduced to align them with revenues. Personnel costs are over 79.8 percent of General Fund expenses. Reductions in workforce are necessary to maintain fiscal stability. The reductions will result in Employee Leave Payoffs and an increase in Unemployment expense. These are one-time costs that are funded by the Emergency Reserve.

# Total City Resources & Appropriations

## CITY RESOURCES

The total amount of money received by the City of Fresno in all appropriation funds is shown on this page. The total Net Resources amounts represent all the revenue available to pay for services and capital projects. It excludes interfund transfers, and Interdepartmental charge revenue.

### City of Fresno Budget Facts:

- The City, like other cities, uses fund accounting to ensure funds are used the way they were intended.
- The General Fund is used to account for unrestricted revenues. It supports Police, Fire, Public Works and Parks.
- Special Revenue funds account for revenue that the City receives for a specific purpose.
- Debt Service funds are used to accumulate assets for the repayment of long-term debt.
- Enterprise & Internal Service funds operate as if they were a private businesses.

	FY 2009 Actuals	FY 2010 Amended	FY 2011 Adopted	Percent Change
Beginning Balance	171,577,800	165,613,500	194,094,700	17.2
<i>Local Taxes</i>				
Property Taxes	80,803,300	69,000,400	68,805,000	(0.3)
Sales Tax	70,260,300	64,817,400	64,056,000	(1.2)
Measure C	16,570,000	25,953,700	39,931,100	53.9
Room Tax	10,167,600	10,167,000	9,091,000	(10.6)
Real Estate Transfer Tax	968,200	1,145,000	850,000	(25.8)
Franchise Tax	7,298,800	6,951,000	9,551,000	37.4
<b>Total Local Taxes</b>	<b>186,068,200</b>	<b>178,034,500</b>	<b>192,284,100</b>	<b>8.0</b>
Licenses & Permits	20,838,100	21,095,500	21,409,200	1.5
<i>Intergovernmental</i>				
Federal	51,492,200	137,239,700	136,210,400	(0.8)
State	79,355,200	88,725,700	94,387,800	6.4
Local	13,316,200	21,292,600	21,401,800	0.5
<b>Total Intergovernmental</b>	<b>144,163,600</b>	<b>247,258,000</b>	<b>252,000,000</b>	<b>1.9</b>
Charges for Current Services	254,534,500	270,836,400	274,027,500	1.2
Fines	9,385,300	10,207,100	8,804,900	(13.7)
Other Revenue	15,318,900	15,667,300	14,882,300	(5.0)
Interdepartmental	99,273,900	98,465,700	95,693,900	(2.8)
Miscellaneous	104,281,900	325,870,800	127,684,800	(60.8)
Transfers	16,204,200	19,525,000	16,052,800	(17.8)
<b>Total City Revenue</b>	<b>1,021,646,400</b>	<b>1,352,573,800</b>	<b>1,196,934,200</b>	<b>(11.5)</b>
Less: Net Interfund Transfers	16,204,200	19,524,400	16,052,800	(17.8)
Less: Interdepartmental Charges	103,879,200	110,886,600	98,148,900	(11.5)
<b>Total Net Resources</b>	<b>901,563,000</b>	<b>1,222,162,800</b>	<b>1,082,732,500</b>	<b>(11.4)</b>

## APPROPRIATIONS BY FUND TYPE

	FY 2009 Actuals	FY 2010 Amended	FY 2011 Adopted	Percent Change
General Fund	242,834,000	224,078,800	212,875,400	(5.0)
Special Revenues	73,147,200	187,080,200	160,168,000	(14.4)
Debt Service	31,314,600	35,054,600	33,123,800	(5.5)
Capital Project	49,866,000	68,278,400	41,429,700	(39.3)
Enterprise	328,854,200	551,940,700	438,715,300	(20.5)
Internal Service	109,422,500	107,371,300	108,616,200	1.2
Tax Anticipation Note Repayment	55,205,000	56,300,000	56,718,100	0.7
<b>Total Appropriations</b>	<b>890,643,500</b>	<b>1,230,104,000</b>	<b>1,051,646,500</b>	<b>(14.5)</b>
Less: Interdepartmental Charges	103,879,200	110,886,600	98,148,900	(11.5)
<b>Total Net City Budget</b>	<b>786,764,300</b>	<b>1,119,217,400</b>	<b>953,497,600</b>	<b>(14.8)</b>

The total budget for all appropriated funds within the City of Fresno is shown on this page. The amounts shown as Total Net City budget represent the "net" budget after all interdepartmental charges are removed.

# Total Net Operating by Department *Excluding* Capital and Debt Service

The Net Operating Budgets of all departments of the City of Fresno are shown on this page. The information encompasses a three-year period: FY 2009 Actual Expenses, FY 2010 Amended Budget and FY 2011 Adopted Budget, as well as a percentage change between FY 2010 and FY 2011. Since appropriations from Internal Service Departments are also reflected as Interdepartmental Charges in Non-Internal Service Departments, those charges are removed for calculation of the Net Operating Budget.

The FY 2011 increase in appropriations in the Office of the Mayor and City Manager is attributable to increased personnel costs in the City Manager Division. Both FY 2010 Amended and FY 2011 Adopted amounts for Council include full infrastructure funding in

Departments	FY 2009 Actuals	FY 2010 Amended	FY 2011 Adopted	Percent Change
Office of the Mayor & City Manager	2,615,700	2,480,100	2,513,000	1.3
City Council	2,904,400	2,991,300	3,006,700	0.5
Airports Department	13,802,900	14,390,700	14,473,700	0.6
City Attorney's Office	4,708,600	4,860,100	4,703,700	(3.2)
City Clerk's Office	715,700	675,000	635,300	(5.9)
Convention Center	2,282,100	6,637,600	6,860,700	3.4
Downtown & Community Revitalization	2,237,300	2,072,500	20,910,100	908.9
Finance Department	24,716,600	31,808,900	25,376,300	(20.2)
Budget and Management Studies	1,610,900	1,785,500	1,628,200	(8.8)
Fire Department	52,982,600	50,395,200	53,761,400	6.7
General City Purpose Department	2,933,400	2,537,000	2,296,200	(9.5)
General Service Department	49,141,500	43,696,900	38,870,300	(11.0)
Information Services Department	14,900,800	15,888,800	14,337,900	(9.8)
Parks, After School, Rec & Comm Svcs Dept	24,754,100	21,170,000	17,669,100	(16.5)
Personnel Department	24,468,500	27,343,000	31,559,300	15.4
Development & Resource Management	24,773,500	34,810,400	21,235,100	(39.0)
Police Department	145,299,800	140,521,100	143,490,800	2.1
Public Utilities Department	127,029,200	136,701,400	140,456,700	2.7
Public Works Department	38,111,300	42,549,500	38,320,100	(9.9)
Transportation/FAX Department	43,571,400	45,158,700	43,020,000	(4.7)
<b>Total City Program Costs</b>	<b>603,560,300</b>	<b>628,473,700</b>	<b>625,124,600</b>	<b>(0.5)</b>
Less: Interdepartmental Charges	103,879,200	110,886,600	98,148,900	(11.5)
<b>Net Operating Budget</b>	<b>499,681,100</b>	<b>517,587,100</b>	<b>526,975,700</b>	<b>1.8</b>

In the Downtown and Community Revitalization Department, the FY 2011 Adopted amounts included the transfer of the Housing Division from the Development & Resource Management Department. The 15.7 percent increase in the Personnel Department's operating budget is the direct result of appropriation increases in the Department's Property/Liability Self Insurance and Unemployment Self Insurance funds. The Development and Resource Management Department was formerly the Planning & Development Department. Finally, the Downtown & Community Revitalization Department's FY 2011 Adopted reflects the transfer of the Housing Division from the Development & Resource Management Department.

## City of Fresno Facts:

- The City operates under the Strong-Mayor form of Government.
- The Mayor Appoints and Oversees the City Manager, who manages the City on a day-to-day basis.
- A budget is in balance when the amount of budgeted expenditures is equal to the amount of budgeted revenues.



# Total Net Operating by Department *Including* Capital and Debt Service

Departments	FY 2009 Actuals	FY 2010 Amended	FY 2011 Adopted	Percent Change
Office of the Mayor and City Manager	4,169,700	13,881,500	8,464,400	(39.0)
City Council	3,058,400	3,478,500	3,006,700	(13.6)
Airports Department	39,230,200	47,381,900	39,493,200	(16.6)
City Attorney's Office	4,708,600	4,860,100	4,703,700	(3.2)
City Clerk's Office	715,700	675,000	635,300	(5.9)
Convention Center	14,160,300	21,755,300	19,133,000	(12.1)
Downtown & Community Revitalization	2,237,400	3,469,800	23,584,100	579.7
Finance Department	104,124,000	151,218,400	111,232,500	(26.4)
Budget & Management Studies	1,610,900	1,785,500	1,628,200	(8.8)
Fire Department	55,908,900	57,138,900	60,343,600	5.6
General City Purpose Department	3,874,200	2,697,000	2,296,200	(14.9)
General Service Department	53,622,700	47,240,300	42,394,700	(10.3)
Information Services Department	14,900,800	15,888,800	14,337,900	(9.8)
Parks, After School, Rec & Comm Svcs Dept	37,829,600	42,502,900	27,648,000	(35.0)
Personnel Department	24,468,500	27,343,000	31,559,300	15.4
Development and Resource Management	24,963,800	38,640,000	21,235,100	(45.0)
Police Department	163,033,400	164,021,100	160,298,000	(2.3)
Public Utilities Department	202,536,200	383,255,500	290,106,900	(24.3)
Public Works Department	79,821,400	120,536,900	117,132,900	(2.8)
Transportation/FAX Department	55,668,800	82,333,600	72,412,800	(12.0)
<b>Total City Program Costs</b>	<b>890,643,500</b>	<b>1,230,104,000</b>	<b>1,051,646,500</b>	<b>(14.5)</b>
Less: Interdepartmental Charges	103,879,200	110,886,600	98,148,900	(11.5)
<b>Net Operating Budget</b>	<b>786,764,300</b>	<b>1,119,217,400</b>	<b>953,497,600</b>	<b>(14.8)</b>

The combined Net Operating and Capital Budgets for all departments of the City of Fresno are shown on this page. The information encompasses a three-year period: FY 2009 Actual Expenses, FY 2010 Amended Budget, and the FY 2011 Adopted Budget, as well as the percentage change between FY 2010 and FY 2011. Since appropriations from Internal Service Departments are also reflected as Interdepartmental Charges in all City Departments, those charges are removed for calculation of the Net City Budget.

The FY 2010 Amended

Budget in the Office of the Mayor and City Manager includes \$5,951,400 in capital projects, specifically for Neighborhood Stabilization and repayment of Section 108 loan programs. FY 2011 Adopted amounts for the Downtown & Community Revitalization Department include the transfer of the Housing Division from the Development & Resource Management Department. A 15.7 percent increase in the Personnel Department's operating budget is the direct result of appropriation increases in the Department's Property/Liability Self Insurance and Unemployment Self Insurance funds. The Development and Resource Management Department is formerly the Planning & Development Department and FY 2011 Adopted reflects the transfer of the Housing Division to the Downtown & Community Revitalization Department.



# Authorized Positions

This page outlines all the City's positions and where they are located. The Position Authorization Resolution (PAR) details the City Services provided by permanent employees in two major categories: Permanent and Permanent Part-Time (PPT). The FY 2010 Position Deletes column reflects those previously defunded positions that have now been deleted. The column Other Changes shows any other mid-year changes. The FY 2010 Amended figures below represent total permanent positions as of June 2010. The FY 2011 Adopted column represents the sum of the FY 2010 Amended and the FY 2011 Adopted changes.

Department	FY 2010	FY 2010	FY 2010	FY 2010	FY 2011	FY 2011	Number Change
	Adopted	Position Deletes	Other Changes	Amended	Changes	Adopted	
<i>General Fund Departments</i>							
Mayor and City Manager's Office	27.00	(4.00)	0.00	23.00	(1.20)	<b>21.80</b>	(1.20)
City Council	25.00	(1.00)	0.00	24.00	(1.00)	<b>23.00</b>	(1.00)
City Clerk's Office	7.00	(1.00)	0.00	6.00	(1.00)	<b>5.00</b>	(1.00)
Downtown & Community Revitalization	10.00	(1.00)	0.00	9.00	11.00	<b>20.00</b>	11.00
PARCS	148.25	(16.00)	(0.25)	132.00	(46.50)	<b>85.50</b>	(46.50)
Public Works Department	339.40	(57.00)	(1.00)	281.40	(17.00)	<b>269.40</b>	(17.00)
Police Department	1,280.40	(143.90)	0.00	1,136.50	(109.84)	<b>1,026.66</b>	(109.84)
Fire Department	440.60	(35.00)	0.00	405.60	(12.65)	<b>392.95</b>	(12.65)
Sub-Total General Fund	2,277.65	(259.90)	(1.25)	2,017.50	(180.19)	<b>1,836.31</b>	(178.19)
<i>Enterprise Departments</i>							
Airports Department	78.00	0.00	0.00	78.00	0.00	<b>78.00</b>	0.00
Airports Department - Sworn	5.00	0.00	0.00	5.00	0.00	<b>5.00</b>	0.00
Transportation/FAX Department	420.80	(26.60)	0.00	394.20	(52.20)	<b>342.00</b>	(52.20)
Development & Resource Management	194.39	(21.00)	(1.36)	172.03	(16.00)	<b>156.03</b>	(16.00)
Department of Public Utilities	683.00	0.00	8.00	691.00	0.00	<b>691.00</b>	0.00
Sub-Total Enterprises	1,381.19	(47.60)	6.64	1,340.23	(68.20)	<b>1,272.03</b>	(68.20)
<i>Internal Service Departments</i>							
City Attorney's Office	44.00	(1.00)	0.00	43.00	(4.00)	<b>39.00</b>	(4.00)
Finance Department	115.65	(2.00)	0.00	113.65	(12.65)	<b>101.00</b>	(12.65)
Budget & Management Studies	15.00	0.00	0.00	15.00	(2.00)	<b>13.00</b>	(2.00)
General City Purpose Department	12.00	0.00	0.00	12.00	0.00	<b>12.00</b>	0.00
General Services Department	139.00	(7.00)	1.00	133.00	(29.00)	<b>104.00</b>	(29.00)
Information Services Department	76.00	(1.00)	0.00	75.00	(19.00)	<b>56.00</b>	(19.00)
Personnel Services Department	41.00	0.00	0.00	41.00	(5.20)	<b>35.80</b>	(5.20)
Sub-Total Internal Service	442.65	(11.00)	1.00	432.65	(71.85)	<b>360.80</b>	(71.85)
<b>Totals</b>	<b>4,101.49</b>	<b>(317.50)</b>	<b>6.39</b>	<b>3,790.38</b>	<b>(320.24)</b>	<b>3,472.14</b>	<b>(318.24)</b>

The table below details the number of sworn Public Safety positions.

Sworn Safety Positions							
Department	FY 2010	FY 2010	FY 2010	FY 2010	FY 2011	FY 2011	Number Change
	Adopted	Position Deletes	Other Changes	Amended	Position Changes	Adopted	
Police Department	849.00	(23.00)	0.00	826.00	(9.42)	<b>816.58</b>	(9.42)
Fire Department	383.00	(30.00)	0.00	353.00	(12.65)	<b>340.35</b>	(12.65)
Airports Department	5.00	0.00	0.00	5.00	0.00	<b>5.00</b>	0.00
<b>Totals</b>	<b>1,237.00</b>	<b>(53.00)</b>	<b>0.00</b>	<b>1,184.00</b>	<b>(22.07)</b>	<b>1,161.93</b>	<b>(22.07)</b>

# Community Development Block Grant

The Community Development Block Grant (CDBG), one of the longest-running programs of the U.S. Department of Housing and Urban Development (HUD), funds local community development activities such as affordable housing, anti-poverty programs, and infrastructure development. CDBG was enacted through the Housing and Community Development Act of 1974 and took effect in January 1975.

CDBG funds are allocated to more than 1,100 local and state governments on a formula basis, at \$4.45 billion in FY 2011. Larger cities and urban counties, called "entitlement communities," are required to prepare and submit a "Consolidated Plan" that establishes goals for the use of CDBG funds. Grantees are also required to hold public meetings to solicit input from the community; ensuring that Adopted projects are aligned with the community's most urgent needs.

## PROGRAM OVERVIEW

For FY 2011, over 57 percent of the total resources will be dedicated to housing development and rehabilitation, maintaining neighborhoods by addressing substandard conditions and historic preservation. Infrastructure improvements make up 14 percent of resources, 13 percent for public safety activities and seven percent will be used for senior support programs. The remaining funds will be used for Section 108 debt service and administration.

CDBG revenues used to build the Program's Budget are comprised of the entitlement from HUD, program income, and carryover funds. The City can expect to receive an entitlement of \$8,256,500 in FY 2011, an increase of 8.2 percent above FY 2010 funding. Program income, which is the gross income received by the City and its subrecipients directly generated from the use of CDBG funds, is estimated at \$376,300. The carryover is the total of unused funds from prior fiscal years. This can occur when a capital project is completed under budget; when a program does not use all of its allocation; or when a project is not completed within that fiscal year. There is no carryover estimated for FY 2011.

In addition to the activity limitations placed upon CDBG, HUD has also limited the use of CDBG for certain types

of projects/programs. By regulation, all Public Service activities are capped at fifteen percent of the entitlement plus program income. Planning and Administration activities are capped at twenty percent of the entitlement plus program income. For FY 2011, the

CDBG Summary	FY2010 Adopted	FY 2011 Adopted
<b>Resources</b>		
Program Entitlement	7,629,500	8,256,500
Program Income	376,000	376,300
Pinedale Project Carryover	700,000	0
Estimated Carryover	66,700	0
<b>Total Resources</b>	<b>8,772,200</b>	<b>8,632,800</b>
<b>Expenditures</b>		
Acquisition & Rehabilitation	4,722,800	4,879,700
Public Facilities & Improvements	800,000	1,101,200
Public Service	1,043,700	579,300
Economic Development	555,000	548,000
Planning & Administration	1,600,700	1,524,600
<b>Total Expenditures</b>	<b>8,772,200</b>	<b>8,632,800</b>

"allocation caps" for Public Service and Administration are \$1,294,920 and \$1,726,560, respectively.

Expenditures for CDBG activities total \$8,632,800 and are classified according to the summary chart to the right. Each of these will be detailed and explained in the paragraphs that follow.

**Acquisition & Rehabilitation** The Code Enforcement Division will continue enforcement activities in CDBG areas to ensure that existing housing is safe, healthy and structurally sound. The Division's responsibilities include eliminating visual blight on properties created by trash and debris, inoperable vehicles, and other public nuisances. The Emergency Repair Grant program addresses health and safety issues for homeowners who have received a health and safety citation from the City's Code Enforcement Division. The program is offered citywide and helps the homeowner repair items that need immediate attention. The Senior Paint Program assists senior citizens with exterior painting and minor repairs to their home.

The Anti-Graffiti Program is responsible for the removal of graffiti from the exterior of structures and commercial buildings, and other areas where blight and vandalism occur. Graffiti is removed regu-



## Community Development Block Grant

larly to protect neighborhood livability and create a climate conducive to business activities.

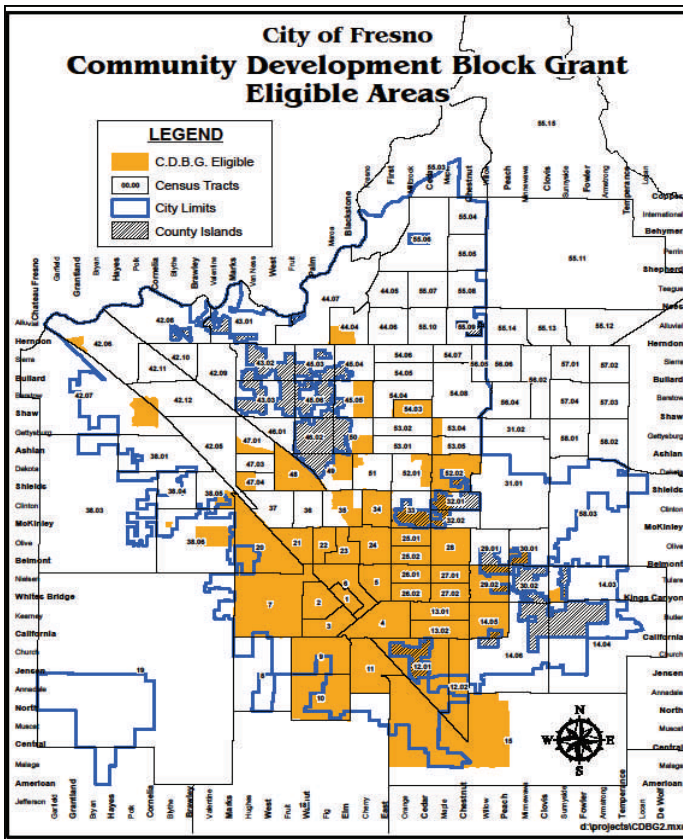
**Public Facilities & Improvements.** The Department of Public Works will implement the Community Streets Improvement Program, which will achieve concrete reconstruction projects and construction of new sidewalks in low and moderate-income neighborhoods. Street reconstruction and street overlay projects in low and moderate-income neighborhoods, and Americans with Disabilities Act (ADA) compliance projects for construction of ADA curb cuts and removal of barriers to access. The improvements will improve accessibility by persons with physical limitations and the disabled community.

pression Team participates in neighborhood crime prevention activities. Emphasis is placed on developing liaisons with the community to eliminate crime and make neighborhoods safer.

**Economic Development.** The annual payment of Debt Service is required to repay Section 108 loans for the Regional Medical Center, Senior Center, and Street and Park Improvements within CDBG areas.

**Planning & Administration.** This category budgets all the reasonable costs of over program management coordination, monitoring and evaluation. This also includes the cost of administering the HOME program. Also in this category are the cost for the Specific and Community Plans. The City of Fresno General Plan was adopted in 2002. In order to adhere to the document, Specific and Community Plans for the most impoverished areas of the city, the Fulton Corridor, Lowell, Southwest (SE), need to be prepared. The plans are being developed now and will encompass many of the neighborhoods identified as having high rates of concentrated poverty. Of the thirteen census tracts included in the land use plan focus area, all but one had a poverty rate of 40 percent or above; approximately 49 percent of residents in the focus area census tracts were living in poverty.

In addition to current residents, the Adopted Specific and Community Plans are designed to address the needs of future residents of these areas. The 2025 Fresno General Plan contemplates a city population of 725,000, including infill growth of increasing density in areas such as those in the Specific and Community Plans. By helping to ensure that these areas become healthy, mixed income neighborhoods, the Specific and Community Plans serve the needs of both present and future Fresno residents for many years to come.



**Public Services.** Senior Hot Meals provides a quality lunch program for adults 59 and older. In FY 2010, the program provided an estimated 95,000 plus meals. This program is currently at four Community Centers, two Neighborhood Centers, five Neighborhood Parks and five senior residential centers. Also funded are senior activities which take place both before and after meals, District Crime Sup-

# Capital Summary

## INTRODUCTION

The development of the FY 2011-2015 Capital Improvement Program (CIP) is an intensive, ongoing process, involving an unprecedented and comprehensive review of the goals and direction of the city's future infrastructure needs. The overriding mission of this review is to determine specific priorities, starting with the vital work being done to revitalize and reinvigorate the Downtown area; then to sequence those priorities to enable the city to effectively concentrate its capital investment.

Using the 2025 General Plan and the soon to be completed Metropolitan Water Resources Management Plan as guides, this process will be finished in early FY 2011. After review by the Mayor and City Council, the finished process will result in a robust capital plan that will work in concert with the 2035 General Plan update soon to be undertaken.

Any capital plan must take into consideration the financial impact to its citizens, balancing the ever changing needs of the city with the capacity of the population to finance those improvements and the maintenance that comes with them. This is especially true of capital funded through utility rates and critical decisions will be made concerning the pace and timing of the utility capital program using the dollars available.

## OVERVIEW

The FY 2011-2015 CIP consists of projects at a total cost of approximately \$906.5 million. These projects range from the construction of new facilities to the updating of existing structures, street improvements, sidewalk repairs, and maintaining utility infrastructure. The FY 2011 Capital Program contains new and ongoing projects with a combined estimated cost of \$279.1 million. For FY 2011, in addition to the projects funded by ongoing sources, the City of Fresno has also undertaken numerous projects funded by Federal and State stimulus dollars.

A capital project can be any one of the following: a) Any physical public betterment or improvement; b) The purchase of equipment for any public betterment or improvement when first constructed; or c) The acquisition of property of a permanent nature for public use.

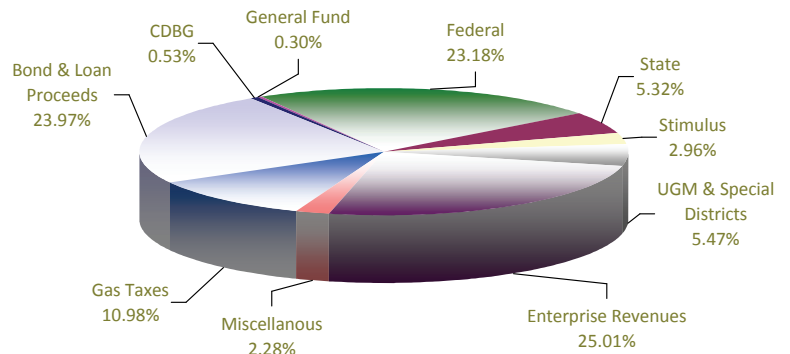


Department	CAPITAL PROJECTS	FY 2011 ADOPTED		CAPITAL PROJECTS	CAPITAL PROJECTS	CAPITAL PROJECTS	CAPITAL PROJECTS	5 YEAR PROJECT
	FY 2010 EST	New	Ongoing	2012	2013	2014	2015	TOTAL
City Council Department	645	0	0	0	0	0	0	0
Office of the Mayor and City Manager	5,788	0	5,951	0	0	0	0	5,951
Police Department	3,889	0	16,307	0	0	0	0	16,307
Fire Department	2,191	0	5,120	0	0	0	0	5,120
Parks, After School, Rec & Comm Svcs	8,474	2,150	5,466	0	0	0	0	7,616
Public Works Department	48,801	13,439	64,471	152,824	2,297	2,720	2,720	238,471
Downtown & Community Revitalization	1,397	2,624	50	0	0	0	0	2,674
Development & Resource Mgmt	1,518	0	0	0	0	0	0	0
Department of Public Utilities	120,032	11,400	100,135	278,820	56,925	24,363	11,565	483,208
Airports Department	9,731	12,746	7,953	25,054	17,433	9,953	8,653	81,792
Convention Center Department	651	100	1,789	0	0	0	0	1,889
FAX Department	12,800	17,382	12,011	6,100	10,000	11,000	7,000	63,493
<b>Total Department Capital</b>	<b>215,917</b>	<b>59,841</b>	<b>219,253</b>	<b>462,798</b>	<b>86,655</b>	<b>48,036</b>	<b>29,938</b>	<b>906,521</b>

**Capital Revenues:** Bond proceeds will fund \$41.8 million for the Water Meter retrofit, and Sewer/Wastewater improvements; \$16 million for the Police Substations and Training Facility; and \$5.2 million will be used for Parks improvements. Federal support consists largely of Federal Aviation Authority grants for FYI, Federal Transportation Agency grants for FAX and the City's Public Work Grant allocation. Stimulus funding for capital is budgeted at \$8.2 million. The State component is made up of Proposition 1B, state grants, and SB 325 funding. Enterprise revenues will be used primarily to fund Water well and Sewer line construction and rehabilitation. CDBG will be used for the development of Downtown Specific and Community Plans and the Section 108 Loan Repayment. Gas Taxes will be used for street and road improvements and other infrastructure needs.

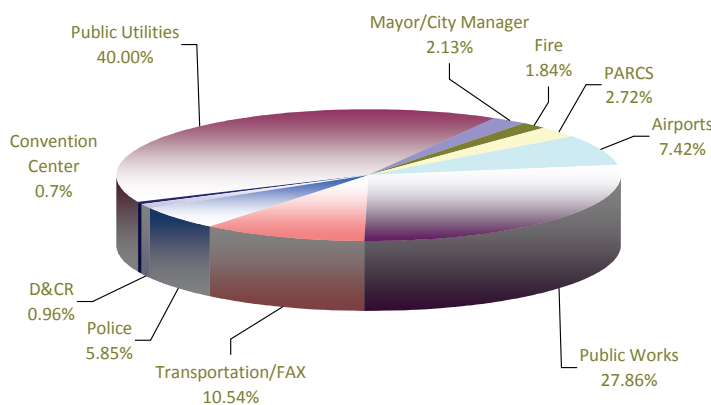
**Capital Appropriations:** The water meter retrofit project, downtown water infrastructure, Friant Kern Pipeline and Southeast water projects are funded in Public Utilities, as are the continuing Wastewater plant expansion preparations. Mayor/City Manager capital consists of the capital funding for the Neighborhood Stabilization Program, Section 108 Loan repayment and CDBG funding for the Fair Housing Council.

**Capital Revenues**



**Water Meter Retrofit Program:** During FY 2004, AB 514 was signed into law and requires that all single-family residential water services in the City of Fresno be metered by 2013. This preempts the City of Fresno's charter that prohibits charging a metered rate on single family residences. In addition, the City will need to comply with this requirement, as required by renewal of the contract with the US Bureau of Reclamation in July 2005, for annual deliveries of up to 60,000 acre feet of water. The Meter Retrofit Update Study was completed in FY 2008 and installation of meter boxes was begun in FY 2009. Acquisition of meter equipment, including a fixed automated meter reading (AMR) system and the full installation contract are scheduled to be awarded in FY 2010 with completion by the mandated deadline of December 31, 2012 (FY 2013). The total cost is estimated to be \$88.5 million for the installation of meters on more than 110,000 single-family residences. In FY 2011, this project is budgeted at \$12.5 million.

**Capital Appropriations**



Intelligent Traffic System (ITS) projects on both Shaw and Clovis Avenues and continued funding for the Veterans Boulevard project are in Public Works. Funding for Fire Station 18 and the second phase of the station renovations is funded in Fire; Police capital contains the Southeast and Central District Stations and the Regional Training Facility. FAX will fund Clean Air Initiatives with CMAQ grants and continue work on the FareBox/Smart Card system. Parks capital consists of improvements Eaton Plaza; other improvements funded by the FY 2008 Impact Bonds, and continued development of the park at Polk and Gettysburg

**Meter Program Update:** As of March 2009, the Department has two contractors who have installed 27,000 new meter sets (joining the 22,000 already in the ground) for a total of 49,000. A \$22.2 million meter equipment contract for the fixed network Automated Meter Reading (AMR) and water metering system was awarded in January 2010. The meter installation will be split into two contracts; both will be awarded before the end of FY 2010, with the actual installation beginning in July 2010..

# Measure C Extension Revenue & History

Through an extension approved by the voters in 2006, the Measure C sales and use tax has been extended for another twenty years. The new Measure C Extension funds are distributed by the Fresno County Transportation Authority (FCTA) according to the



Measure C Extension Expenditure Plan. The Expenditure Plan identifies how the funds will be allocated and includes general implementing guidelines for each of the six fund-

ing programs, including local agency pass through programs, sub-programs and category funds.

The Measure C Extension Plan is a multi-modal funding program, which distributes the funds to the City of Fresno through three main programs. These programs are the Regional Public Transit Program, the Local Transportation Program, and the Regional Transportation Program. In past years, the City has used the funds to complete an extensive list of transportation infrastructure projects throughout the City of Fresno. The City will continue these improvements under the Measure C Extension. However, added emphasis will now be given toward all modes of transportation with the overall goal of improving the City's local transportation system and air quality.

	FAX	Public Works	Airports	Total Revenue
<b>2007 Actual</b>	0	0	0	0
<b>2008 Actual</b>	6,694,146	7,219,401	488,624	14,402,171
<b>2009 Actual</b>	7,758,087	8,374,344	557,528	16,689,959
<b>2010 Adopted</b>	7,878,600	8,581,600	455,000	16,915,200
<b>2011 Adopted</b>	6,795,300	6,823,800	566,200	14,185,300

Measure C revenue in FY 2011 is Adopted to decline significantly as compared to FY 2010 Adopted; however, the Measure C revenue decline is not expected to continue according to the state's Department of Finance and also the City's consultant Muni Services. The methodology for the FY 2011 Adopted Budget is based on the FY 2010 estimated year end revenues. Currently, actual FY 2010 revenue is on track to meet or exceed the year end estimates.

## PUBLIC TRANSIT PROGRAM

The goal is to expand mass transit programs that have a demonstrated ability to get people out of their cars and improve air quality. The transit agencies would use the funds to address major new expansions of the express, local and feeder bus service to include additional:

- Routes
- Buses (including low emission)
- Night and Weekend Service
- Bus Shelters
- Safer access to Public Transit Services.

## LOCAL TRANSPORTATION PROGRAM

The goal is to improve the City's local transportation program by addressing the troubling problem of aging streets and road infrastructure. Funding is provided to fill potholes, repave streets, improve sidewalks, and upgrade the local transportation infrastructure. The funding is distributed as follows:

- Street Maintenance / Rehabilitation
- Flexible Program
- ADA Compliance
- Pedestrian / Trails / Bicycle Facilities

## REGIONAL TRANSPORTATION PROGRAM

The Regional Transportation Program provides for the movement of goods, services, and people throughout the County. The Fresno Yosemite International Airports is an important component of both the urban and rural area transportation systems and is critical to the continued economic development in Fresno County. Funding for the program is designed for runway and infrastructure rehabilitation, runway land acquisition and construction, and associated infrastructure construction projects.

# Glossary of Terms

**Adopted Budget** - The City Budget passed by Council for the period July 1 through June 30.

**Amended** – The City Budget for fiscal year ending June 30<sup>th</sup> is adopted by resolution by the City Council. Adjustments in the amounts appropriated at the department / fund level are made throughout the fiscal year upon a motion to amend the resolution and affirmative votes of at least five Council members. Budgeted amounts are reported as amended on June 30.

**Appropriation** – A legal authorization granted by Council to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount. All City of Fresno appropriations lapse expire at the end of each fiscal year.

**Beginning Balance** – The amount of money the City anticipated having on July 1, 2009, to begin fiscal year 2009-2010.

**Budget** – A plan of financial operation containing an estimate of proposed expenditures for a given period (usually a fiscal year) and the proposed means of financing them. Since the typical budgeting process includes many budgets, it is often necessary to identify the specific budget being discussed with an adjective: Mayor’s Proposed Budget, Adopted Budget, and Amended Budget.

**Capital Improvement Plan** – A plan or budget for capital outlays to be incurred each year over a fixed period of years to meet capital needs. It lists each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance each projected expenditure.

**Charges for Current Services** – Monies the City receives as payment for services provided such as water, sewer, solid waste, and building permits.

**Contingency** – An appropriation of funds to cover unforeseen events that occur during the fiscal year. Uses of such appropriations require approval by the Mayor and City Council.

**Department** – A major administrative unit of the City of Fresno reflecting overall management responsibility for an operation or a group of related operations within a functional area. Identifies the highest level in the formal organization in which specific activity is carried out.

**Employee Services** – The personnel costs of a City program, including wage/salary, direct and indirect benefits such as health insurance, workers’ compensation, unemployment insurance, etc.

**Enterprise Funds** – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Examples in Fresno are the Utilities and Planning & Development Departments.

**Estimated** – The most recent prediction of current year revenue and expenditures, Estimates are based upon several months of actual expenditure and revenue information and are prepared to consider the impact of unanticipated costs or other economic changes.

**Expenditures** – The payment for the cost of goods delivered or services rendered during the fiscal year, whether paid or unpaid, including expenses, provision for debt retirement not reported as a liability of the fund from which retired, and capital outlays. See also “Encumbrances”.

**Fiscal Year (FY)** – A twelve-month period to which the annual operating budget applies and at the end of which a governmental unit determines its financial position and the results of its operations. In City of Fresno has specified July 1 through June 30 as the fiscal year.

**Fund** – A set of accounts to record revenues and expenditures associated with a specific purpose.

**Fund Balance** – The equity (assets minus liabilities) of governmental fund types and trust funds; the excess of cumulative revenues and other sources of funds over cumulative expenditures and other uses of funds. See also Carryover.

**Interdepartmental (ID) Charges** – Charges for services one City department provides another City department (see Intragovernmental Revenues). These procedures result in a double counting of the same dollar which is budgeted in two places. By subtracting transfer and charge amounts, a dollar is then only counted once.

**Internal Service Funds (ISF)** – A fund established to finance and account for services and commodities furnished by one department to another on a cost reimbursement basis. Examples include the Fleet, Central Printing and Information Services.

**Sales Tax** – A tax levied by a state or city on the retail price of an item, collected by the retailer. The table below breaks out the elements of the local sales tax rate.

Rate	Jurisdiction
4.75%	State (General Fund)
0.25%	State (Fiscal Recovery Fund)
0.50%	State (Local Revenue Fund)
0.25%	State General Fund
0.50%	State (Local Public Safety Fund)
1.00%	State (General Fund)
1.00%	Local(County/City) 0.25% County Transportation Funds 0.75% City and County operations
8.25%	Total Statewide Base Sales and Use Tax

# Acknowledgements

The City of Fresno is once again the proud recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award. We believe this FY 2011 budget will also meet those high standards.

We can all agree that this is a very tough budget year for the City of Fresno. Even so, I am proud to be able to say this budget presents a plan to sustain our city through the financial challenges we are facing. It also prepares us for the future, so that we are poised to take advantage of every opportunity as the economy improves. This is due the leadership and tireless dedication of Mayor Swarengin, Assistant City Manager Rudd, Chief of Staff White, Deputy City Manager Zieba, Directors and departmental budget personnel, all of whom have never wavered in striving for excellence in even as resources are contracting. All of the department personnel that worked on the preparation of the budget materials are commended for their commitment. They are too numerous to mention here but include: Administrative Managers, Management Analysts, Division Managers, Account Clerks, Secretaries, Data Base Administrator's, Central Printing staff and many others who have earned a well-deserved thank you for your loyalty and perseverance.

The Budget staff has once again excelled in their dedication to the preparation of this Budget. My greatest respect and special thanks must go to the City's Budget Staff:

Jane Sumpter	Henry Fierro
Sharon McDowell	Pedro Rivera
Vicente Cantu	Scott Motsenbocker
Elida (Eli) Rubio	Ashley Aouate

Unless you have been involved in the actual creation of the budget it is impossible to appreciate the countless hours, on both evenings and weekends, which these people and their families have sacrificed over last few months. The common

purpose and character of each of these individuals is inspiring and humbling. I feel especially blessed to be part of this very professional and selfless team.

I would also like to acknowledge Michael Lima and Cheryl Carlson who volunteered many hours with us checking documents to ensure quality. The successful printing of this document would not have been accomplished without the dedication of John DeLucia in the Print shop for which I owe a debt of gratitude.

I thank Mayor Ashley Swarengin, City Manager Mark Scott, Assistant City Manager Bruce Rudd and the Council members for their continued leadership and guidance in the planning, deliberations, and implementation of this budget. I also want to thank city departments for carefully preparing budget reductions for consideration. Finally, I want to thank all city employees for their continued dedication to delivering high-quality services to the community. Their efforts are especially appreciated during these difficult economic times.

Respectfully submitted,



R. Renena Smith, Budget Director



The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Fresno, California for its annual budget for the fiscal year beginning July 1, 2009 – June 30, 2010.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

