



M E M O R A N D U M
F i n a n c e D e p a r t m e n t

DATE: March 10, 2009
TO: City Council
FROM: Dave Warren
Director of Finance
SUBJECT: MEASURE J QUARTERLY FINANCIAL REPORT

RECOMMENDATION:

Acknowledge and file the Measure J quarterly financial report for the period ending December 31, 2008.

BACKGROUND:

In November 1998, Placerville voters approved Measure J which is a 0.25% add-on sales tax in addition to the regular 7.25% Bradley-Burns sales tax. The use of Measure J revenue is restricted to "Peace Officer Safety Services" such as the augmentation of base wages, any resulting increase in the costs of fringe benefits, and additional Police Officer programs that exceed the Fiscal Year 1997/1998 level.

Over the past ten years, Measure J sales tax revenues have been used to add two full-time Police Officer positions, including the School Resource Officer (SRO) position at El Dorado High School, and elevate sworn officer salaries to a more competitive level. Section 6.A. of City Ordinance number 1548 states, "Commencing the first Wednesday in November 1998, and then continuing every three months thereafter, a report detailing the use of all funds collected pursuant to this Ordinance shall be presented for review to the City Council." Accordingly, staff has prepared a financial report that encompasses the period of July 1 to December 31, 2008, for the Council's review tonight.

ANALYSIS:

In Fiscal Year 2007/2008, the City received \$960,704 in Measure J sales tax revenues. From July 1, to December 31, 2008, the City received \$430,942 or \$66,811 (\$497,753 - \$430,942) less than what the City received for the same period last fiscal year. The \$66,811 variance is mainly due to business closures over the past year (e.g., Placerville Ford Dealership) and a slowing local economy. Measure J dollars are invested in the Local Agency Investment Fund or LAIF. As of December 31, 2008, Measure J dollars earned a 2.54% rate of return.

Currently, Measure J revenues are being used to augment the salaries and related employee benefits for eighteen full-time sworn officer positions including eleven Police Officers, four Sergeants, one Captain, one Lieutenant, and the Chief of Police above the 1997/1998 level.

There are two Police Officer positions that are designated 100% to the Measure J Fund including the SRO at El Dorado High School. The Canine Officer stipend and veterinary costs for “Hank,” “Onyx,” “Rico,” and “Sem” are also paid for by Measure J.

For the period of July 1, 2008 to December 31, 2008, expenditures and net transfers out totaled \$592,596 or \$160,199 more than the operating revenues. The \$160,199 deficit was primarily due to shrinking Measure J sales tax revenues, interest income, increased personnel costs, and \$9,544 for the purchase and training of the City’s newest Canine Officer, “Sem,” who replaced retired Canine Officer, “Wylie.” The Placerville Police Officers’ Association is in the process of collecting donations from the community to help offset this cost. A \$47,002 transfer in from the New Hire Set Aside Reserve was made to cover the cost of the \$47,002 one-time distribution that was paid to employees back in September. A \$15,250 transfer out from the 10% Cash Reserve was made to supplement the interim cash needs of the Operating Account as of December 31, 2008. As of December 31, 2008, the Operating Account had an ending balance of \$0.00 and the account for Reserves and Set-Asides had an ending balance of \$594,753. The total ending fund balance was \$594,753.

Attached are revenue and expenditure reports for both the Operating Account and the Reserves and Set-Asides. It’s important to note that after June 30, 2003, the Operating Account could no longer afford setting aside 14% or more of Measure J receipts to the Operating Reserve, PERS Reserve, and the New Hire Reserve which it had been able to do previously. This is mainly due to shrinking revenue streams and increased personnel costs in recent years. Due to the receding trend Measure J is experiencing at this time, staff anticipates operating expenditures will continue to exceed operating revenues necessitating additional transfers in to the Operating Account from the 10% Cash Reserve, which is a one-time funding source, for the remainder of the fiscal year. Staff is closely monitoring the situation and communicating its concerns to the Placerville Police Officers’ Association.

Dave Warren
Director of Finance

Reviewed and Approved:

John Driscoll
City Manager/City Attorney

City of Placerville
Public Safety Augmentation (Measure J) Fund
Accounting of Revenues and Expenditures
Operating Account - Cash Basis

For all Measurable Transactions through December 31, 2008

Revenues:

Sales Tax	\$ 430,942
Interest	1,455
Donations	-
Total Revenues	<u>432,397</u>

Expenditures:

Payroll	640,166
Materials and Services	10,373
1% Administrative Charge	4,309
Total Expenditures	<u>654,848</u>

Excess of revenues over (under) expenditures	<u>(222,451)</u>
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Other Financing Sources (Uses):

Transfer in From New Hire Set Aside Reserve	47,002
Transfer in From 10% Cash Reserve	15,250
Total Other Financing Sources (Uses)	<u>62,252</u>

Excess of revenues and other financing sources over (under) expenditures and other financing uses	(160,199)
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Fund Balances:

Beginning	<u>\$ 160,199</u>
Ending	<u><u>\$ -</u></u>

City of Placerville
Public Safety Augmentation (Measure J) Fund
Accounting of Revenues and Expenditures
Reserves and Set-Asides - Cash Basis
For all Measurable Transactions through December 31, 2008

Revenues:

Interest	\$ 6,089
Total Revenues	<u>6,089</u>

Expenditures:

-

Other Financing Sources (Uses):

Transfer in 10% Reserve	-
Transfer in New Hire Set-Asides	-
Transfer in 4% PERS Reserve	-
Transfer Out to Operating Account	(62,252)
Total Other Financing Sources (Uses)	<u>(62,252)</u>

Excess of revenues and other financing sources over (under) expenditures and other financing uses	(56,163)
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Reserve Balance:

Beginning	<u>650,916</u>
Ending	<u><u>\$ 594,753</u></u>

Components of Ending Reserve Balance

10% Cash Reserve	\$ 276,733
New Hire Set Aside Reserve	252,429
4% PERS Reserve	65,591
Total Reserves	<u><u>\$ 594,753</u></u>