



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: September 9, 2008

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 June 30, 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 eight 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, 2007 to June 30, 2008, for the Council's review tonight.

ANALYSIS:

In Fiscal Year 2006/2007, the City received \$980,115 in Measure J sales tax revenues. From July 1, 2007 to June 30, 2008, the City received \$960,704 or \$19,411 less than what the City received in the previous fiscal year. The \$19,411 variance is mainly due to recent business closures (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 June 30, 2008, Measure J dollars earned a 3.11% 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 “Wilie” are also paid for by Measure J.

For the period of July 1, 2007 to June 30, 2008, expenditures totaled \$1,148,874 or \$162,269 more than the operating revenues, including Measure J receipts and interest income for the period. Expenditures as of June 30, 2008 exceeded those for the same period last year by \$132,515 (\$1,148,874 - \$1,016,359). The \$132,515 variance in expenditures is mainly attributable to the filling of vacant positions earlier this fiscal year and increased personnel costs overall. This past October, the City purchased a new Canine Officer named “Onyx” at a cost of \$3,000. The Police Department solicited \$3,000 in donations to offset the entire cost of “Onyx.” The City received a \$12,500 Safety Grant from the El Dorado Union High School District to help offset the cost of the SRO position. As of June 30, 2008, the Operating Account had an ending balance of \$160,199 and the account for Reserves and Set-Asides had an ending balance of \$650,916. The total ending fund balance was \$811,115.

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 increased personnel costs in recent years. Due to the flat revenue trend Measure J is experiencing at this time and the rise in personnel costs, the Operating Account had to dip into fund balance, which is a one-time funding source, to the tune of \$162,269, in order to meet ongoing operating expenditures in Fiscal Year 2007/2008. 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 June 30, 2008

Revenues:

Sales Tax	\$ 960,704
EDUHSD Safety Grant	12,500
Interest	10,401
Donations	3,000
Total Revenues	<u>986,605</u>

Expenditures:

Payroll	1,133,891
Materials and Services	5,376
1% Administrative Charge	9,607
Total Expenditures	<u>1,148,874</u>

Excess of revenues over (under) expenditures	<u>(162,269)</u>
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Other Financing Sources (Uses):

Transfer Out to 10% Cash Reserve	-
Transfer Out to 4% PERS Reserve	-
Transfer Out Reserve Interest	-
Total Other Financing Sources (Uses)	<u>-</u>

Excess of revenues and other financing sources over (under) expenditures and other financing uses	(162,269)
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Fund Balances:

Beginning	<u>\$ 322,468</u>
Ending	<u><u>\$ 160,199</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 June 30, 2008

Transfers In:

10% Reserve	\$ -
New Hire Set-Asides	-
4% PERS Reserve	-
Interest	24,989
Total Revenues	<u>24,989</u>

Expenditures:

Transfer to Operating Account per Negotiations	<u>-</u>
Total Expenditures	<u>-</u>

Excess of revenues over (under) expenditures	<u>24,989</u>
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Other Financing Sources (Uses):

	-
	-
Total Other Financing Sources (Uses)	<u>-</u>

Excess of revenues and other financing sources over (under) expenditures and other financing uses	24,989
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Reserve Balance:

Beginning	<u>625,927</u>
Ending	<u><u>\$ 650,916</u></u>

Components of Ending Reserve Balance

10% Cash Reserve	291,983
New Hire Set Aside Reserve	293,342
4% PERS Reserve	65,591
Total Reserves	<u><u>\$ 650,916</u></u>