



**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:** May 13, 2008

**TO:** City Council

**FROM:** Dave Warren  
Director of Finance

**SUBJECT: MEASURE J QUARTERLY FINANCIAL REPORT**

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**RECOMMENDATION:**

Acknowledge and file the Measure J quarterly financial report for the period ending March 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 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 March 31, 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 March 31, 2008, the City received \$739,584 which is \$17,433 (\$757,017 - \$739,584) less than what the City received for the same period last fiscal year. The \$17,433 variance is mainly due to recent business closures (e.g., Placerville Ford Dealership) and a slowing local economy. Staff projects the City may lose between \$20,000 to \$30,000 in Measure J sales tax receipts this fiscal year due to business closures.

Measure J dollars are invested in the Local Agency Investment Fund or LAIF. As of March 31, 2007, Measure J dollars earned a 4.18% 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 “Onyx,” “Rico,” and “Wilie” are also paid for by Measure J.

For the period of July 1, 2007 to March 31, 2008, expenditures totaled \$870,380 or \$118,827 more than the operating revenues, including Measure J receipts and interest income for the period. Expenditures as of March 31, 2008 exceeded those for the same period last year by \$93,599 (\$870,380 - \$776,781). The \$93,599 variance in expenditures is mainly attributable to the recent filling of vacant positions. This past October, the City purchased a new Canine Officer named “Onyx” at a cost of \$3,000. The Police Department has been soliciting donations to help offset the \$3,000 outlay for “Onyx.” As of March 31, 2008, the Operating Account had an ending balance of \$203,641 and the account for Reserves and Set-Asides had an ending balance of \$646,886. The total ending fund balance was \$850,527.

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. Based on the flat revenue trend Measure J is experiencing at this time and the rise in personnel costs associated with the filling of previously vacant Officer positions recently, staff anticipates the Measure J fund will have to dip into fund balance, which is a one-time funding source, in order to meet ongoing operating expenditures this fiscal year. Staff is closely monitoring the situation and will report additional Measure J budget trend information to the City Council during its budget deliberations this June.

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Dave Warren  
Director of Finance

Reviewed and Approved:

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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 March 31, 2008

**Revenues:**

Sales Tax	\$ 739,584
EDUHSD Safety Grant	-
Interest	8,969
Donations	3,000
Total Revenues	<u>751,553</u>

**Expenditures:**

Payroll	859,703
Materials and Services	3,281
1% Administrative Charge	7,396
Total Expenditures	<u>870,380</u>

Excess of revenues over (under) expenditures	<u>(118,827)</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	(118,827)
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**Fund Balances:**

Beginning	<u>\$ 322,468</u>
Ending	<u><u>\$ 203,641</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 March 31, 2008

**Transfers In:**

10% Reserve	\$ -
New Hire Set-Asides	-
4% PERS Reserve	-
Interest	20,959
Total Revenues	<u>20,959</u>

**Expenditures:**

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

Excess of revenues over (under) expenditures	<u>20,959</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	20,959
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**Reserve Balance:**

Beginning	<u>625,927</u>
Ending	<u><u>\$ 646,886</u></u>

*Components of Ending Reserve Balance*

10% Cash Reserve	291,983
New Hire Set Aside Reserve	289,312
4% PERS Reserve	65,591
Total Reserves	<u><u>\$ 646,886</u></u>