

Overall this reduces the projected revenue by 6% from fiscal year 2002-2003. If the State adopts a budget that includes taking away more than \$300,000 from Sierra Madre, staff will bring a revised budget to the City Council as soon as possible for consideration. We will also continue to seek outside funding for projects whenever possible.

A thorough analysis has been done on the current fees charged for services. A number of fees, particularly fees charged by Development Services and Community Services, do not cover the cost of providing such services. This budget includes fee increases in a majority of programs. A complete list of the fees and the proposed increases are listed in Appendix E of the budget book.

EXPENDITURES

In 2002, staff was informed that the City must pay over \$300,000 in fiscal year 2003-2004 and over \$600,000 in 2004-2005 to the Public Employees Retirement System (PERS) for retirement benefits. The City is currently paying less than \$100,000 for CalPERS Retirement benefits annually. This sharp increase relates to the poor stock market performance over the past several years. When the market was out-performing the actuarial rate of return (7.75%), the City enjoyed reduced retirement contribution rates and opportunities to increase retirement benefits without increasing costs. With the current flat market, the City is being required to contribute amounts to make-up the shortfall between actuarial rate of return and the actual rate of return earned by CalPERS. Additionally, the surplus that was available to offset contributions has been exhausted. Thus, the City must also fund the normal retirement contributions.

The budget details an expenditure plan for all City operations, Community Redevelopment Agency, enterprise, capital improvements, and grant funds totaling \$23.4 million (excluding internal service fund disbursements) in 43 funds for 2003-2004 and \$14.6 million for 2004-2005. The General Fund operating budget is balanced at approximately \$4.6 million for fiscal year 2003-2004 and \$4.8 million for fiscal year 2004-2005.

RESERVES & CONTINGENCIES

The City Council's goal is to have at least 50% of the General Fund expenditures held in a reserve account. By June 30, 2003, we expect to have a cash reserve of \$2.6 million, an amount equal to 54% of our fiscal year 2002-2003 General Fund expenditures. Because of the budget crisis, the reserve level is not projected to increase over the next two fiscal years, but is expected to remain static.

The 2003-2005 budget includes setting aside \$25,000 from reserves for contingencies. These funds will be available to fund emergency expenditures, or important programs or services that are not provided for in this budget. If unused at year-end, the contingency reserve will return to available fund balance each year.