

CITY OF UNION CITY, CALIFORNIA

Our Mission – Union City’s mission is to create and sustain an environment that promotes safety, community, and civic pride for a diverse population.

Our Vision – Union City will be known for its community pride and have a distinct identity as a destination in the Bay Area for quality housing, professional services, and leisure activities.

Our Values

- Values in Government
 - We conduct ourselves and all City business with integrity and honesty in every interaction.
 - We treat residents of all national origins with respect and dignity.
 - We bring compassion and commitment to the place and the people of Union City.
 - We bring a helpful approach to serving residents and working with each other.
 - We provide personalized, non-bureaucratic and responsive services to all.
 - We respect the environment and our natural resources.
 - Every individual has a voice in Union City.
- Values in Interacting with Other Organizations
 - We respect the autonomy of other organizations.
 - We strive to collaborate and build synergies – to find mutual interests and goals on which to build.
- Values in Interacting with Our Workforce, Boards, and Commissions
 - We value the contributions of our workforce, commissioners, and other volunteers.

Our Strategic Goals

1. Foster economic stability to realize the City’s vision and maintain infrastructure and services.
2. Demand the highest aesthetic quality to create a sense of place that is recognized in the Bay Area.
3. Engage in Regional and local partnerships to leverage our resources.
4. Expand park facilities and leisure service programs available to the entire Union City community.
5. Foster safety and security throughout our community.
6. Improve the quality and diversity of housing stock.

DIRECTORY OF CITY OFFICIALS

CITY COUNCIL

Mark Green
Mayor

Emily Duncan
Councilmember

Lorrin Ellis
Councilmember

Pat Gacoscos
Councilmember

Jim Navarro
Vice Mayor

CITY STAFF

Larry Cheeves
City Manager

Tony Acosta
Deputy City Manager

Benjamin Reyes
City Attorney (Contractual)

Mintze Cheng
Public Works Director

Joan Malloy
*Economic & Community Development
Director*

Tony Acosta
Leisure Services Director

Rich Digre
Administrative Services Director

Sheldon Gilbert
Fire Chief (Alameda County Fire Department)

Greg Stewart
Police Chief (Contractual)

ACKNOWLEDGEMENTS

Adopted Operating Budget and Capital Improvement Plan

Submitted by:

Larry Cheeves, City Manager

Operating Budget Prepared by:

Rich Digre

Administrative Services Director
Administrative Services

Will Fuentes

Management Analyst III – Revenue and Budget Manager
Administrative Services

Capital Improvement Plan Prepared by:

Anita Castillo

Senior Accountant
Administrative Services
Department

Steve Sprotte

Management Analyst
Economic and Community
Development Department

Special Acknowledgements (Budget Cover Design):

Rick LaForce

Assistant to the City Manager
City Manager's Office

REGIONAL MAP



ABOUT UNION CITY

Located at the heart of the Bay Area, Union City is a hub for commerce, maximizing transportation options with convenient access to ports, rail, air travel and freeways.

Union City is centrally situated, with San Francisco and the San Jose/Silicon Valley just minutes away. Incorporated on January 13, 1959, Union City is a general law city with a city council/city manager form of government. Ours is an ethnically diverse community of about 70,000 residents. The highly-regarded New Haven Unified School District serves about 14,000 K-12 students. Union City's strong economy, diverse population, great educational institutions, unsurpassed quality of life, and world-renowned location make it the ideal place to do business, to work, and to live.

Eighteen square (18) miles in area, Union City offers a variety of housing, with affordable and upscale homes available in many charming neighborhoods throughout the city. Union City also has many wonderful parks, sports fields, community facilities, and a variety of recreation programs for citizens of all ages.

Our city's strong, multifaceted economy balances professional services and retail and service industries with manufacturing, transportation and warehousing, and new economy firms. We value our residents as an important asset. Visitors quickly discover that our residents make great neighbors, and they provide businesses with a stable, well-educated, productive workforce.

We're a responsive community known for our business-friendly, make-it-happen attitude. Businesses are served by the same proactive municipal team that is helping make the revitalized Bay Area Rapid Transit (BART) Station District project a reality. This pedestrian-friendly, transportation-oriented, mixed-use downtown district is poised to serve as a focal point and economic driver for Union City for decades to come.

Within easy reach of San Francisco, San Jose, Oakland and the Silicon Valley, Union City provides quick commutes and convenient access to BART. Of course, commutes are even easier when you live where you work and Union City makes an appealing home for employees. Our friendly, diverse community offers affordable housing, good schools, and safe neighborhoods.

Convenient shopping, picture-postcard weather, and plenty of parks and recreational opportunities, make Union City an inviting destination for all. In Union City, you'll find not only discover a location that's central, you'll also find a city administration that understands and responds to the needs of business. Union City has a well-deserved reputation as a hardworking community, and that is reflected in our willingness to go to work for businesses. Our city departments are committed to working closely together to get things done in a timely manner. Whether it's assistance in providing quick answers to questions or offering innovative problem-solving, businesses find we have a genuine customer-service focus.

For more detailed information on Union City demographics, housing, finances and more, please visit the City of Union City webpage at <http://www.ci.union-city.ca.us> and click on ABOUT UNION CITY. This section shows such things as median age, racial composition, parcels by type, tax analysis, unemployment rates, etc. Additional information can be found at: <http://www.ci.union-city.ca.us/commdev/demographics.htm>.



UNION CITY BY THE NUMBERS

Miscellaneous Statistics:

	<u>FISCAL YEAR ENDING JUNE 30,</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police Protection					
Stations	1	1	1	1	1
Sworn Personnel	81	81	81	75	76
Fire Protection					
Stations	4	4	4	4	4
Sworn Personnel ¹	48	50	50	46	0
Cultural					
Parks	33	33	33	33	33
Multi-Court Tennis Complexes	2	2	2	2	2
Community Centers	3	3	3	3	3
Teen Centers	2	2	2	2	2
Senior Centers	1	1	1	1	1
Sports Centers	1	1	1	1	1
City Employees (FTE's)	360.95	367.99	366.99	353.22	308.93
Population ²	71,063	72,072	73,977	74,030	69,850
Households ²	20,249	20,483	20,533	20,705	20,440
Number of Registered Voters	25,843	30,701	30,358	30,311	30,894
Number of Public Schools					
Elementary Schools	8	7	7	7	7
Middle Schools	3	2	2	2	2
High Schools	1	1	1	1	1
Adults Schools	1	1	1	1	1
Number of Students in Public Schools	13,100	13,000	13,000	12,400	12,400

Sources: a) City of Union City Finance Dept, 2) California Dept. of Finance, 3) Alameda County Registrar of Voters

Footnotes: 1) Contracted through Alameda County Fire Department since FY 2010-11 1) Figures are for beginning of calendar year January 1st

Notes: Current budget years are not shown because many items would need to be estimated. For City's FTEs in budget years, please see personnel schedules later in document. Police and Fire stations as well as Cultural centers should stay the same as 2010.

APPROVING RESOLUTIONS

PAGE INTENTIONALLY LEFT BLANK

RESOLUTION NO. 4173-11

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF UNION CITY
ESTABLISHING AN APPROPRIATIONS LIMIT
FOR FISCAL YEAR 2011/12**

WHEREAS, pursuant to Article XIII-B of the Constitution of the State of California, the City Council of the City of Union City has established an Appropriations (or Gann) limit for Fiscal Year 2010/11, and

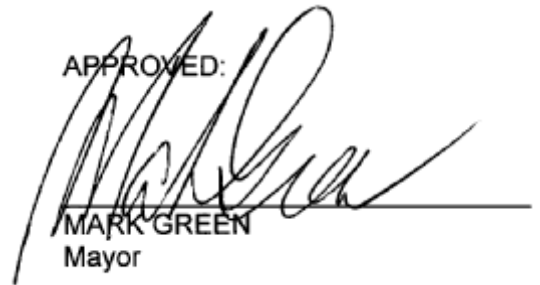
WHEREAS, the Appropriations Limit has been determined in accordance with State law to be \$122,502,666 on the basis of annual adjustment factors for Union City's population growth (0.45%) and change in California's per capita income (2.51%) for Fiscal Year 2011/12;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Union City establishes the amount of \$122,502,666 as the Appropriations Limit for Fiscal Year 2011/12.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Union City at a regular meeting held on June 14, 2011, by the following vote:

AYES:	Councilmembers Duncan, Ellis and Gacoscos, Vice Mayor Navarro, Mayor Green
NOES:	None
ABSENT:	None
ABSTAIN:	None

APPROVED:




MARK GREEN
Mayor

ATTEST:



RENEE ELLIOTT
City Clerk

APPROVED AS TO FORM:



BENJAMIN T. REYES II
City Attorney

PAGE INTENTIONALLY LEFT BLANK

RESOLUTION NO. 4173-11

**RESOLUTION OF THE CITY COUNCIL
 OF THE CITY OF UNION CITY
 ADOPTING THE OPERATING BUDGET
 FOR FISCAL YEARS 2011-12 THROUGH 2012-13
 AND
 APPROVING THE FIVE-YEAR CAPITAL IMPROVEMENT PLAN
 FOR FISCAL YEARS 2011-12 THROUGH 2015-16**

WHEREAS, the City Manager has proposed an annual operating budget for Fiscal Years 2011-12 through 2012-13 and a five-year capital improvement plan (CIP) for Fiscal Years 2011-12 through 2015-16, a copy of which is on file in the office of the City Clerk; and

WHEREAS, the City Council has examined, and deliberated on with input from the public, the budget;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Union City as follows:

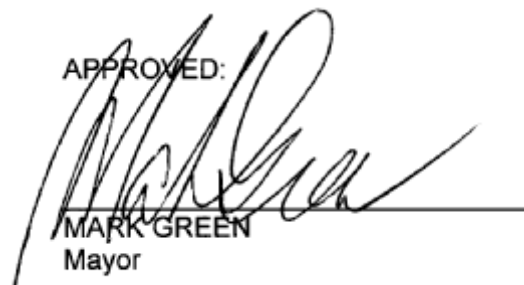
1. That the said operating budget of \$74,424,340 in FY 2011-12 and \$76,063,448 in FY 2012-13 is hereby adopted as the operating budget for the City of Union City.
2. That the said capital outlay budget of \$798,344 in FY 2011-12 and \$2,437,344 in FY 2012-13 is hereby adopted as the capital outlay budget for the City of Union City.
3. That the said debt service budget of \$9,695,573 in FY 2011-12 and \$13,284,779 in FY 2012-13 is hereby adopted as the capital debt service for the City of Union City.
4. That the said transfers out budget of \$4,071,200 in FY 2011-12 and \$4,244,200 in FY 2012-13 is hereby adopted as the operating budget for the City of Union City.
5. That the said Capital Improvements Projects (CIP) budget of \$28,093,684 in FY 2011-12; \$22,184,314 in FY 2012-13; \$9,615,714 in FY 2013-14; \$2,099,714 in FY 2014-15; \$5,144,714 in FY 2015-16, is hereby Adopted as the CIP budget for the City of Union City.
6. That the City Manager may delegate the authority to implement this resolution to the Administrative Services Director, who functions as the Finance Director.
7. That the City Manager is authorized and directed to transfer funds from one activity to another within a given fund, at such times as are appropriate, in accordance with generally-accepted accounting principles and consistent with the objectives as outlined in the approved budget.
8. That the Council goal is to include a reserve for economic uncertainties which is not less than 7.5% of General Fund appropriations.
9. That any monies received during the two fiscal years of this budget, as a consequence of grants approved by the City Council, are hereby appropriated for the purposes for which the grant has been approved, and the City Manager is authorized to expend such monies and make payments in accordance with the terms, conditions and purposes of the grant.
10. That any contract for professional services, supplies, or capital expenditures included in the annual budget that exceeds \$50,000 shall be executed by the City Manager only upon approval of the City Council.

11. The City Manager may authorize transfer of funds between non-salary and benefit accounts (material & supplies, contractual services and capital outlays) within the same fund within a department and approve transfers in salary and benefits accounts within the same fund. Transfers between funds require City Council approval.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Union City at a regular meeting held on June 28, 2011, by the following vote:

AYES: Councilmembers Duncan, Ellis and Gacoscos, Vice Mayor Navarro
NOES: Mayor Green
ABSENT: None
ABSTAIN: None

APPROVED:



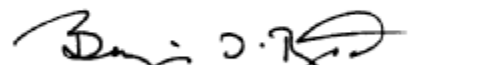
MARK GREEN
Mayor

ATTEST:



RENEE ELLIOTT
City Clerk

APPROVED AS TO FORM:



BENJAMIN T. REYES
City Attorney

COMMUNITY REDEVELOPMENT AGENCY

RESOLUTION NO. 444-11

**RESOLUTION OF THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF UNION CITY
ADOPTING THE AGENCY BUDGET
FOR FISCAL YEARS 2011-12 THROUGH 2012-13**

WHEREAS, the Executive Director has submitted to the Agency Board of the Community Redevelopment Agency of the City of Union City (the "Agency") a Proposed Budget for operations of all Agency programs and functions for Fiscal Years 2011-12 through 2012-13; and;

WHEREAS, the Agency has solicited public comment and review of the Proposed Budget;

NOW, THEREFORE, BE IT RESOLVED by the Agency as follows:

1. That the said budget is hereby approved and adopted as the budget for the Community Redevelopment Agency of the City of Union City for Fiscal Years 2011-12 through 2012-13.
2. That the said budget of \$29,590,182 in FY 2011-12 and \$37,064,624 in FY 2012-13 is determined to be necessary to meet all Agency operating and capital improvement requirements.
3. That pursuant to Health and Safety Code Section 33445 of the California Community Redevelopment Law, the Agency finds that (a) the payment of all or part of the cost of land and installation and construction of any buildings, facilities, structures, or other improvements contemplated in the Agency's Fiscal Year 2011-12 and Fiscal Year 2012-13 are of benefit to the Project area; (b) no other reasonable means of financing such buildings, facilities, structures or other improvements are available to the community; and (c) the payment of funds for the acquisition of land or cost of buildings, facilities, structures, or other improvements will assist in the elimination of one or more blighted conditions inside the Project Area or provide housing for low or moderate income persons, and is consistent with the implementation plan pursuant to Health and Safety Code Section 33490.
4. That the Agency hereby authorizes the Agency Executive Director to delegate the authority to implement this resolution to the Administrative Services Director, who will function as the overseer of the RDA budget.
5. That, in accordance with Health and Safety Code Section 33334.3 (d), the Agency determines that planning and administrative expenses set forth in the budget for Fiscal Years FY 2011-12 and FY 2012-13 to be paid from the Low and Moderate-Income Housing Fund pursuant to Health and Safety Code Section 33334.2 and 33334.3 are necessary for the production, improvement or preservation of low and moderate-income housing.
6. That the Agency's Capital Projects fund may be used only for those projects which the Agency Board of Directors has identified as high priority projects in the Capital Investment Plan.

PASSED, APPROVED AND ADOPTED by the Community Redevelopment Agency of the City of Union City on the 28th day of June 2011, by the following vote:


AYES: Agency Members Duncan, Ellis and Gacoscos, Vice Chair Navarro, Chair Green
NOES: Mayor Green
ABSENT: None
ABSTAIN: None

APPROVED:



MARK GREEN
Chair

ATTEST:



RENEE ELLIOTT
Agency Secretary

APPROVED AS TO FORM:



BENJAMIN T. REYES II
Agency Counsel

TABLE OF CONTENTS

PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

	<u>page (s)</u>		
Mission, Values, Vision and Strategic Goals	1		
Directory of City Officials	2		
Acknowledgements	3		
Regional Map	4		
About Union City - Facts and Figures	5	-	7
Approving Resolutions	7	-	14
Table of Contents	15	-	18
INTRODUCTION	19	-	32
Transmittal Letter	21	-	24
Fiscal Management Policy	25	-	27
Basis of Budgeting and Accounting	28		
Budget & General Ledger Chart of Acct. Struc.	29		
Budget Adopt Process, Amends, & Controls	30		
The GANN Appropriation Limit	31		
FUNDS	33	-	148
All Funds Summary	35		
Schedule of Transfers In and Out	36		
All Fund Balance Summary	37	-	38
Fund Balance Changes Explanation	39	-	43
Major Revenue Sources	44	-	68
Governmental Funds	69	-	80
1110 General Fund	71		
1110X Council CIP Reserve	72		
7XXX All RDA Funds	77		
711X RDA Cap Proj Non-Hsg Funds	78		
7300 RDA Debt Service Fund	79		
74XX RDA Special Rev. Housing	80		
Special Revenue Funds	81	-	122
2011 Retiremt/Benefit Reserv	83		
2020 Post-Employment Med Ben	84		
2030 Solid Waste Assessment	85		
2040 Recycling & Waste Mgmt	86		
2050 AC Waste Import Mitig.	87		
2055 Meas D Waste Reduction/Recycling	88		
2110 SLEF	89		
2120 Asset Seizure Fund	90		
2130 SAC Gang Viol Sup Task Force	91		
2210 Fire Equip Acquisition	92		
2220 CUPA/APSA Grant	93		
2230 EMS Enhancement Fund	94		
2240 Pub. Safety Parcel Tax	95		
2250 911 Emerg Comm Sys Resp	96		
2260 Union Landing PBID	97		
2310 Housing & Community Dev	98		
2320 HOMES Fund	99		
2330 Housing In-Lieu Fund	100		
2410 Leisure Revolving Fund	101		
2420 Parent Project Fund	102		
2430 Cal-Grip Fund	103		
2440 Youth & Family Srvs Grant	104		
2510 State Gas Tax Fund	105		
2520 Traffic Congestion	106		
2530 Prop 1B Fund	107		
254X Measure B/ACTIA Funds	108		

TABLE OF CONTENTS

	<u>page (s)</u>		
2550 Special Parks Fund	109		
2560 DIPSA CFD 96-1 Maint Asmnt	110		
2570 CFD 2005-1	111		
2575 CFD 2006-1 Fund	112		
2580 Clean Water Fund	113		
259X LLAD Funds	114		
2610 Traffic Signalization	115		
2620 A.W. Vehilce Impact Fee	116		
2630 CIWMB Used Oil Block Gr	117		
2640 Greenhaven Fund	118		
2650 Code Enforcement	119		
2660 DIPSA Development Fund	120		
2670 511 Area Improvements	121		
277X ARRA Grants	122		
Debt Service Funds	123	-	130
331X PERS Bond Funds	125		
3320 Tri-Cities Wste Fac D/S	126		
333X CFD Funds	127		
3341 PFA Ref. Revenue Bonds	128		
33XX Special Assessment Districts	129		
Capital Projects Funds	131	-	138
4100 Capital Projects Fund	133		
4110 Cap. Facilities Improv.	134		
4120 Park Facilities Fund	135		
413X Bridge Benefit District	136		
4140 CFD 97-1 Construction	137		
4150 Measure WW Fund	138		
Proprietary Funds	139	-	142
5110 Transit	141		
5120 Paratransit	142		
Internal Service Funds	143	-	148
6110 Workers Comp Self-Ins.	145		
612X Garage Funds	146		
6130 Gen Liability Self-Ins	147		
DEPARTMENTS	149	-	638
All Department Summary	151	-	157
Personnel Summary by Funding Source	158	-	175
CC City Council	177	-	188
CM City Manager	189	-	210
CA City Attorney	211	-	216
CL City Clerk	217	-	224
AS Administrative Services	225	-	274
EC Economic and Comm.Dev.	275	-	342
FS Fire Services	343	-	358
LS Leisure Services	359	-	424
PD Police Department	425	-	476
PW Public Works	477	-	602
ND Non-Departmental	603	-	638
APPENDIX	639	-	654
Glossary	641	-	645
Acronyms	646	-	650
Legal Debt Margin	651		
Budgeted Debt Obligations	652	-	653

CAPITAL IMPROVEMENT PLAN (will follow its own table of contents and page numbering after OP 654)

INTRODUCTION

PAGE INTENTIONALLY LEFT BLANK

Transmittal Letter

34009 ALVARADO-NILES ROAD
 UNION CITY, CA 94587
 (510) 471-3232

June 28, 2011

Honorable Mayor and City Council
 City of Union City

Adopted Operating Budget for Fiscal Years 2012 and 2013 and the Five Year Capital Improvement Program (CIP) for fiscal years 2012 through 2016

Transparency, Sustainability and Accountability

This document transmits the adopted budget for Fiscal Years 2012 and 2013, the Five Year CIP Plan for FY 2012 through 2016 and the Redevelopment Agency Five Year Development Plan for the same period. This Budgetary Plan lays out a financial plan to balance appropriations and estimated revenues for each of the next two years. This Budgetary Plan preserves the City's Fiscal Policy on Budget Reserves to deal with uncertainties in the local economy while fulfilling the mission of being a fiscally sound organization. Additionally, the Budgetary Plan supports the City's Strategic Planning efforts and the City Council's adopted Strategies.

After two tumultuous years of declining revenues coupled with drastic cuts in services, the City is able to restore some, but not all, of the cuts in services that have occurred over the past few years. Thanks to the passing of Measure AA by the citizens of Union City, the hemorrhaging of City services has stopped and service restoration has begun. Measure AA will generate approximately \$3.5 to \$4.5 million dollars a year to restore and enhance services the citizens of Union City desire, but have been curtailed because of loss of revenues. Measure AA is a general tax, which means the revenues go directly to fund the General Fund where the bulk of our core services reside – particularly Public Safety.

Restored Services and New Positions

- **City Council**
 - Council Operating and Maintenance Expenses
 - Human Relations Commission Operating and Maintenance Expenses
- **City Manager's Office**
 - Operating and Maintenance Expenses
 - New Communications Coordinator Position
 - Expansion of Solid Waste & Recycling Program (Measure D Fund)
- **City Attorney**
 - Restoration of Some City Attorney Funding Reduced Previously
- **City Clerk**
 - Operating and Maintenance Expenses
 - Expansion of Records Management Consulting
- **Administrative Services Department**
 - Operating and Maintenance Expenses

- Fully Fund General Liability and Worker's Compensation Funds
- Revenue Collections Specialist
- Personnel Analyst II (Promotion)
- **Economic and Community Development**
 - Creation of Full-Time Permanent Environmental Programs Manager and Environmental Inspector (to replace contract personnel)
 - General Plan Amendment to Integrate Housing Element
 - Conversion of Contract Administrative Assistant for Economic Development to Permanent Part-Time.
- **Leisure Services (all non-General Fund)**
 - Restoration of Some Special Needs and Sports Center Staffing (Leisure Revolving Fund)
 - Increase of Part-Time Staff for Leisure Camps (Leisure Revolving Fund)
 - Funding of 10th Street Boxing Program (Youth and Family Services Fund)
 - Restoration of Some Part-time Staffing for a Swim Team, Tennis Program, Skate Park Camps, Sports Fitness Program and Senior Center (Leisure Revolving Fund)
 - Expansion of Tot Time, Civil Marriages Program, and Community Gardens Staffing (Leisure Revolving Fund)
 - Upgrade of Facility Maintenance Position at Sports Center (Leisure Revolving Fund)
 - Expanded Staffing of YFS Intern Program and Parent Project (YFS Fund)
 - Conversion of Unrepresented Youth and Family Services Positions to Benefitted Positions (Youth and Family Services Fund)
- **Police Department**
 - Operating and Maintenance Expenses
 - Addition of Police Office Assistant and Police Officer (offset by reduction in Vacant Dispatcher Position)
 - Replacement of Public Service Officer, Community Service Aide, Part-Time Prisoner Transportation Officer, and Part-Time Animal Control Cadet for Enhanced Public Service Officers Positions
 - Addition of One (1) New Property Clerk
 - New Radios for Police Vehicles
 - Replacement of Police Captain and Police Lieutenant Ranks with a Police Commander Rank
- **Public Works**
 - Restoration of a Maintenance I Position in Parks and Grounds (Gas Tax)

The net cost impact of all these items is \$1.4 million in FY 2011-12 (across all funds) and \$1.0 million in FY 2012-13 (across all funds). Please note that to obtain net costs, new revenues are subtracted from expenditures. The net cost impact of all these items on the General Fund is \$1.1 million in FY 2011-12 and \$930,000 in FY 2012-13. These costs are in addition to the full year costs of restorations made by City Council in January 2011. Those restorations had a partial year cost of \$290,000 in FY 2010-11 and \$660,000 per year thereafter.

While the City was able to restore many services and positions and add some new items, staff also had to be mindful of added City costs beyond its control such as:

- ARRA Grant for Four Officers will be borne by the City beginning the second half of FY 2012-13 and beyond. The projected cost impact to the General Fund is \$300,000 in FY 2012-13 and \$600,000 per year thereafter.
- Retirement Costs continue to increase for the City despite the fact that employees are now contributing a greater share of their pension costs. The City will see added retirement benefit costs of \$300,000 in FY 2011-12 (all funds) and \$250,000 in FY 2012-13. CalPERS has already notified us that in FY 2013-14 we will see a 6.4% in public safety rates and a 2.5% increase in misc. rates. \$2.2% of public safety increase is for move into small entities plan due to the Fire Department no longer being in Union City.

- Healthcare costs continue to increase for the City despite the fact benefits are capped. The City will experience added healthcare premium costs of \$100,000 in FY 2011-12 (all funds) and \$50,000 in FY 2012-13.

In addition to these added costs, the City will also experience the loss of the following revenue sources:

- Union Sanitary District (USD) Payment of \$500,000 a year. The last year of payment is FY 2011-12.
- The loss of the second largest sales tax generating business. This will impact the City's General Fund by approximately \$800,000 per year starting in FY 2011-12.

RDA Continued Existence?

Governor Brown, in presenting the State's Proposed Budget in January and May of this year, proposed the elimination of all Redevelopment Agencies in the State. On June 15, the State Legislature approved its budget as well as ABX1 26 and ABX1 27, which are trailer bills that would eliminate RDA if "voluntary" payments are not made to the State. However, on June 16, Governor Brown vetoed the State Budget. ABX1 26 and ABX1 27, though, are being held indefinitely by the State Legislature and have not been forwarded to Governor Brown for approval. At this point, it is uncertain whether those bills will ever be forwarded or if they even can be now that the main State Budget, which they were tied to, has been vetoed. Thus, the fate of the Redevelopment Agencies statewide remains in limbo.

Unfortunately, while extra time would be of benefit, the City cannot postpone its budget adoption any further since it is legally required to adopt a balanced budget by June 30th. However, even if ABX1 26 and ABX1 27 reach the Governor and are approved, the California Redevelopment Association (CRA) has vowed to both file a lawsuit challenging their constitutionality and request a stay until the legal challenges have been heard and ruled upon. City staff has developed contingency plan which includes:

- Drawing down on available Tax Increments that are now under the control of the City,
- Holding up on implementation of some of the restoration programs recommended for approval by the City Council
- Re-evaluating redevelopment projects.

Labor Agreements

Labor Agreements with the major labor groups expire June 30, 2012, half-way through the term of the Budgetary Plan. This Budget Plan document does not include Cost of Living Adjustment, (COLA) for employees, the fifth consecutive year of no cost of living adjustments. Only step increases, subject to annual performance evaluations are included in this Budget Plan. Any negotiated compensation enhancements will increase the budgetary expenditures in the 2012-13 fiscal year.

Fee Increases

Many fees charged to businesses and individuals contain provisions allowing for annual increases limited to the change in Consumer Price Index. Certain fees will be adjusted pursuant to the limits established by the City's Municipal Code or based on the cost of providing the service or item.

Union City Economic Outlook: "When Flat is Good"

After several years of declining home values and declining sales taxes, it appears the rate of decline is decreasing and in some cases actually improving, although slowly. The number of foreclosures is declining, home values are stabilizing and home sales are improving. Retail sales taxes are also showing improvement. The economic outlook is encouraging, with unemployment rates predicted to return to normal levels for 2013 and the housing sector working through home foreclosures which should bring a return to normal growth of 2% of property value growth per year. Although we remain in a fragile economic situation with high fuel costs and recent disasters disrupting manufacturing supplies, there are many visible signs of a strengthening recovery emerging.

Measure WW Funded Projects

At its June 14 meeting, Council identified several projects that could be funded out of Measure WW. The projects are now listed under the Measure WW schedule and include the following:

• Restroom Renovation/Replacement:	\$1,100,000
• Town Estates Park/Kitayama School:	\$200,000
• Contempo Park:	\$200,000
• Veterans's Memorial Park:	\$300,000
• Arroyo Park:	\$65,000
• Youth and Family Services Center:	\$1,489,837
TOTAL:	\$3,354,837

Youth and Family Services

Measure UU committed to using \$500,000 per year of the Public Safety Parcel Tax to fund the City's Youth and Family Services Program, specifically those services that reduce youth violence. The City was successful in also obtaining a CalGRIP grant that provided additional funding for a specific period of time. Although the grant has now expired, we are continuing a commitment that is greater than \$500,000 a year, utilizing cost savings from unfilled positions during the first years of the program. In addition, we hope to be able to apply for and receive additional grant dollars from federal, State and private institutions, and bill Medi-Cal for eligible client services in order to sustain the present level of services to the community. Should supplemental revenues not be achieved during the next two years, significant reductions to the YFS budget (and staffing) will be required to restore a balanced budget.

Conclusion

This has been a difficult budget to prepare in an anemic economic environment. Fortunately, the voters of Union City came through with additional funding through passage of Measure AA which has alleviated the past two years of drastic revenue reductions tied to equally painful cuts in basic city services. For the first time in two years, we are not proposing to provide further staffing reductions but rather to discuss restoration of services, and in a few cases even improvement in services. I want to express my thanks to all departments for their help in putting together this comprehensive plan and also thank the City Council for their dedication and commitment in providing basic and valuable services to the citizens of Union City.

The adopted budget before you is balanced. The revenue estimates are realistic, but also conservative. There is room for growth.

Respectfully submitted:



Larry Cheeves
*City Manager and
 Executive Director of the Redevelopment Agency*

Fiscal Management Policy

(As Adopted by Resolution No. 3126-06 on February 28, 2006)

Purpose:

To establish a policy governing the management of finances and establish fiscal responsibility to ensure the City's financial assets are management in a prudent manner for the benefit of the citizens of Union City in its ability to provide City services; guarantee a balanced annual budget and establish reserves necessary to meet known and unknown future obligations. To achieve these goals, the following Fiscal Policy is presented which include the following categories: Budget Management, Debt Management, Investment Management, Financial Reporting, Capital Improvements, Reserves, Compensation.

Policies:

Budget Management

- The City Council will adopt and maintain a balanced annual operating budget and an integrated five-year capital improvement plan. *(See **Appendix - Glossary** for City's definition of a balanced budget).*
- Staffing positions will generally be budgeted at fully funded cost and not adjusted for vacancies.
- Current operating revenues will support operating expenditures and one-time revenues will be used for capital projects or other one-time expenses.
- The City will avoid budgetary and accounting procedures which balance the current budget at the expense of future budgets.
- The City will strive to maintain all physical assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.
- The City shall comply with the GASB 45 requirement to identify Other Post-Employment Benefits (OPEB) and to fund these obligations through the Annual Budget process.

Debt Management (See **Appendix – Legal Debt Margin for Debt Limits)**

- The City will seek to maintain and, if possible, improve the City's current bond rating in order to minimize borrowing costs and preserve access to credit.
- Only capital improvements that cannot be financed from current revenues will be financed with debt borrowing. The City will determine and use the least costly financing method for all new capital improvement projects.
- An analysis of current debt impact, the City's debt capacity and conformance with City debt policies will accompany every future bond issue proposal.
- The City will communicate, and where appropriate, coordinate with all jurisdictions with which the City shares a common tax base concerning collective plans for future debt issues.
- City debt service costs should not exceed 20% of the City's operating revenue in order to control fixed costs and ensure expenditure flexibility.
- General Obligation debt, which is supported by property tax revenues and grows in proportion to the City's assessed valuation will be utilized as authorized and approved by the voters.
- Contractual debt which is non-voter approved, may be utilized when a stable and dedicated revenue source can be identified to pay debt service expenses.

- The term of any debt financing shall not exceed the useful life of the infrastructure or capital improvement for which the borrowing is financing.
- Long term debt financing will not be used to meet current operational needs.
- Refunding of existing outstanding debt issues will only be considered where there is a significant financial benefit based on Net Present Value.

Investment Management

- Cash and Investment programs will be maintained in accordance with City Council's Adopted investment policy and will ensure that proper controls and safeguards are maintained.
- City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity and financial return on principal, in that order.
- City funds shall be co-mingled for investment purposes and the City's investment performance will be indexed to the State Local Agency Investment Fund (LAIF) and the Federal Funds Rate on 90-day Treasury notes for purposes of performance comparison.

Financial Reporting

- The City's accounting and financial reporting systems will be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Governmental Finance Officers Association (GFOA).
- An annual audit will be performed by an independent public accounting firm with an audit opinion to be included with the City's published Comprehensive Annual Financial Report (CAFR).
- City staff shall maintain a database of fixed assets which identifies all City assets, their condition, historical cost, replacement value and useful life in conformance with GASB 34.
- Quarterly financial reports of the General Fund shall be presented to the City Council along with the revenues and expenses to-date and projections through the remainder of the fiscal year.

Capital Improvements

- A five-year Capital Improvement Plan will be developed as part of the Annual Budget process. Capital Improvements are defined as infrastructure projects which result in capitalized assets costing more than \$10,000 and having a useful life of three years or more.
- Adopted capital projects will be reviewed and prioritized by a cross-department team utilizing accurate costing (planning, design, construction and operating) and consistency with the City's goals and objectives.
- Highest ranking projects will be funded to the extent that revenue sources are available.
- A Capital Projects Reserve will be established in the General Fund in the amount of \$250,000 annually to allow the City Council to identify and fund capital projects that will be of benefit to the City.
- Capital Projects will be funded from either pay-as-you-go revenue or through debt service. A pay-as-you-go approach will be used where current revenues and accumulated fund balances are available to meet construction draws. Debt financing will be used where construction draws are greater than available revenues and fund balances.

Reserves

- All fund designations and reserves will be evaluated annually for long-term adequacy and use requirements in conjunction with development of the City's annual budget.
- General Fund reserves of at least 7 ½% of annual operating expenditures will be maintained for unforeseen emergencies, unanticipated revenue shortfalls, unexpected expenditure increases or catastrophic impacts to the City.
- Reserves in excess of 7 ½% up to 8% or ½% may be used to fund an administrative contingency reserve as determined by the City Manager for either unforeseen costs or new programs that were not anticipated during the budget development process.
- Self-Insurance Reserves will be maintained at a level, which together with purchased insurance policies will adequately indemnify the City's property, liability, health benefits and workers compensation risks.
- Vehicle Replacement Reserves will be maintained based on lifecycle replacement plans to ensure adequate fund balance required for systematic replacement of fleet vehicles and operational contingencies. Operating departments will be charged for fleet operating and replacement costs spread over the useful life of the vehicles.

Compensation

- All compensation planning and collective bargaining will focus on the total cost of compensation which includes direct salary, health care benefits, pension contributions, training, premium and specialty pay and other benefits of a non-salary nature which are a cost to the City.
- Compensation shall be based on the median total compensation of comparable local agencies. The current total compensation for Union City employees shall be no more than 10% off median of the eight comparable cities (external equity).
- Compensation for public safety sworn personnel shall be consistent and equivalent (internal equity).
- Compaction between employee classifications is addressed in a systematic manner.
- The City shall develop a consistent single benefits package for health, dental, vision, disability and life insurance for all bargaining units.
- It is the expressed desire of the City Council that Memoranda of Understandings cover a consistent period for all bargaining units with consistent expiration dates.
- Growth in compensation is limited to the growth in Property and Sales Taxes which account for approximately 70% of the General Fund Revenues.

Basis of Budgeting and Accounting

The City's Budget and day-to-day accounting functions are prepared in conformity with Generally Accepted Accounting Principles (GAAP).

The Budget and day-to-day accounting are organized and operated on a fund basis; the underlying accounting records are maintained on a *modified accrual basis*. Under this method of accounting, revenues are recognized when received unless when subject to accrual. Funds are considered "accrued" when they are measurable and available to finance the City's operations. For example, property taxes collected within 60 days after the close of the fiscal year (July 1) are classified as revenue for the current fiscal year (fiscal year 2010/11). Expenditures, other than general long-term debt, are recorded when the liability is incurred. For example, when the City *accepts* a delivery of office supplies, a liability to pay is immediately created. General long-term debt is recorded in the year when due; e.g., payment of principal and interest on a long-term lease.

The City uses a line-item budget format within funds. This budget system emphasizes the attainment of a "balanced budget" through the reconciliation of estimated revenues to budgeted expenditures. Budgetary divisions are listed by activities and are further divided into expenditure categories including salaries and benefits, supplies and materials, outside services, capital outlay, and debt service. ***Note: All funds shown in this budget are appropriated. However, the City's audited financial statements also include certain others funds that are not required to be part of the City's annual budget according to State law. These funds are agency funds used to account for assets held by the City as an agent for individuals, private organizations, and other governments. Agency funds do not have expenses or income. And lastly, both the budget and the audited financial statements use the same modified accrual basis of accounting.***

Budget Amendments

Periodically during a fiscal year, amendments to the Budget, if any, are brought before the City Council for their approval. Typically, budget amendments occur when unanticipated events result in the City's depletion of appropriations for a given service. An amendment may

also be adopted to change the mix of service delivery. Furthermore, an amendment request may be adopted for additional appropriations from reserves or simply an internal transfer of appropriations for one appropriation category to another.

Budgetary Control

Budgetary control is maintained through the use of monthly reports on all revenue and expenditure accounts as well as special reports summarizing the financial position of the City. These reports are presented for review and discussion to department heads and the City Manager on a monthly basis. Quarterly reports are also provided to the City Council. The City Council has the authority to control the budget through adoption of a formal budget annually and by amending the budget as necessary throughout the fiscal year (July 1 – June 30). Expenditures should not exceed budgeted figures and department heads and their supervisors are held accountable by the City Manager and Administrative Services Director for any overages. All appropriations expire at fiscal year-end unless specifically carried into the new fiscal year by Council actions. Section 2.52.020(F) of the Union City Municipal Code states that the Finance Department shall assist in the preparation of the annual budget and in the administration thereof (Amended during 1990 republication; Ord. 138-75 § 1.2, 1975).

Internal Control

Internal control exists within the accounting system to ensure safety of assets from misappropriation, unauthorized use or disposition, and to maintain the accuracy of financial record keeping. These internal controls must be established consistent with sound management practices based on the cost/benefit of the controls imposed. The cost of a control should not be excessive in relation to its benefit as viewed by City management. The internal controls in existence within the City's system are sufficient to ensure, in all material aspects, both the safety of the City's assets and the accuracy of the financial record keeping system.

Budget & General Ledger Chart of Account Structure

EXPENDITURE ACCOUNT STRUCTURE: XXXX-XXXX-XXXXX-XXXXX (Fund-Organization-Program/Project-Object)

REVENUE ACCOUNT STRUCTURE: XXXX-XXXXX-XXXXX (Fund- Program/Project-Object)

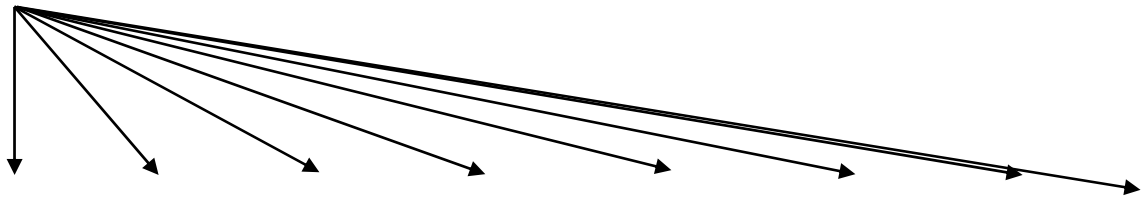
Note: Diagram below illustrates expenditure account structure.

FUNDS

All expenditures and revenues are classified into six types of funds.

Note: All funds shown in budget are appropriated and all funds shown are also in audited financial statements except Agency Funds as noted on previous page.

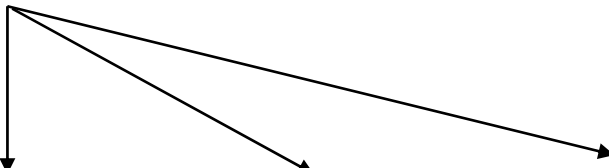
GOVERNMENTAL FUNDS	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	PROPRIETARY FUNDS	INTERNAL SERVICE FUNDS
--------------------	-----------------------	--------------------	------------------------	-------------------	------------------------



ORGANIZATIONS

All funds have organization codes. Org codes are similar to divisions in departments. These are some sample org codes in Police.

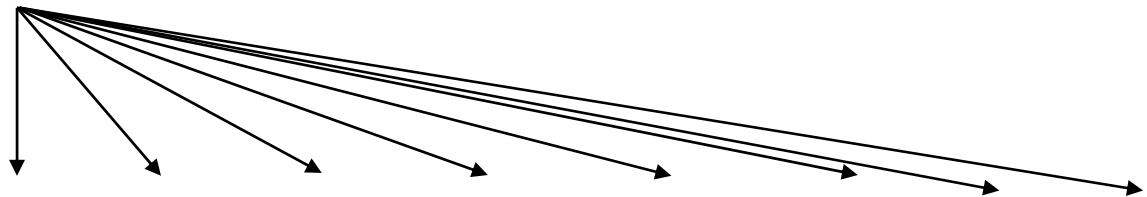
2101	2102	2103	2104	2105	2106	2110	2199
POLICE ADMIN	POLICE TRAINING	POLICE INVESTIGATION	POLICE PATROL	POLICE RECORDS	POLICE TRAFFIC	POLICE COMMUNICATIONS	POLICE OPERATION



PROG/PROJECTS

All organizations have programs and/or projects. These are some sample programs in Police Operations org code.

21010	21012	21111
SWAT TEAM	POLICE IT	SEAT BELT GRANT



OBJECT CODES

All programs have object codes, also known as line items. These are the five categories of account codes common to all programs and projects.

SALARIES	BENEFITS	SUPPLIES	SERVICES	OTHER EXPENSES	CAPITAL OUTLAY	DEBT SERVICE	TRANSFER OUT
(51___)	(52___)	(53___)	(54___)	(56___)	(57___)	(58___)	(59___)

Budget Adoption Process, Amendments, and Controls

Budget Adoption Process - as shown by the enclosed calendar, the budget adoption process begins a whole five (5) months before the final proposed budget book is submitted to the City Council for consideration and ends with publishing of the approved budget document. Great effort is put forth to ensure that the process is well-thought out, all departments understand the process, budget requests and projections are carefully analyzed, proper input is received from all affected parties (e.g., community, Council, department heads, division supervisors, employees, etc.), and that a sound fiscal plan is developed. The budget process is summarized below:

<u>Task</u>	<u>Date(s)</u>
• Development of Budget Preparation Documents & Info for Departments	December 2010 & January 2011
• City Council Budget Workshop	January 11, 2011
• Departmental Budget Training	February 2 & 3, 2011
• 2 nd Quarter Financials and YE Projections	February 22, 2011
• Departmental Budget Preparation	February & March 2011
• City Council Budget Workshop	March 24, 2011
• Internal Review of Proposed Budgets for FY 2009-10 and 2010-11	April 2011
• Staff Submittal of Proposed Budget to City Council	April 26, 2011
• 3 rd Quarter FY 2010-11 Financials presented to City Council	May 10, 2011
• City Council Budget Review with Public and City Staff	May 31, 2011
• Budget Adoption	June 28, 2011
• Approved Operating and CIP Budget Prepared and Published	November 2011

Budget Amendments - Periodically during a fiscal year, amendments to the Budget, if any, are brought before the City Council for their approval. Typically, budget amendments occur when unanticipated events result in the City's depletion of appropriations for a given service. An amendment may also be adopted to change the mix of service delivery. Furthermore, an amendment request may be adopted for additional appropriations from reserves or simply an internal transfer of appropriations for one appropriation category to another.

Budgetary Control - Budgetary control is maintained through the use of monthly reports on all revenue and expenditure accounts as well as special reports summarizing the financial position of the City. These reports are presented for review and discussion to department heads and the City Manager on a monthly basis. Quarterly reports are also provided to the City Council. The City Council has the authority to control the budget through adoption of a formal budget annually and by amending the budget as necessary throughout the fiscal year (July 1 – June 30). Expenditures should not exceed budgeted figures and department heads and their supervisors are held accountable by the City Manager and Administrative Services Director for any overages. All appropriations expire at fiscal year-end unless specifically carried into the new fiscal year by Council actions. Section 2.52.020(F) of the Union City Municipal Code states that the Finance Department shall assist in the preparation of the annual budget and in the administration thereof (Amended during 1990 republication; Ord. 138-75 § 1.2, 1975).

The GANN Appropriation Limit

Article XIII B of the California State Constitution, more commonly known as the Gann or ‘Prop 4’ Appropriations Limit, was adopted by the California voters in 1980. The Gann Limit places limits on the amount of tax proceeds that government agencies can receive and appropriate each year.

The appropriations limit is based on actual appropriations during the Fiscal Year 1978-79, and is adjusted each year using the growth in population and inflation. The City’s limit for Fiscal Year 2011-12 is adopted via resolution 4160-11 of the City Council.

In 1990, Proposition 111 made changes to the manner in which the appropriations limit is calculated by allowing government agencies greater flexibility in choosing certain inflation and population factors to calculate the limit.

The appropriation limit calculation for FY 2011-12 is shown below. Our analysis reveals that the City is below its appropriation limits for FY 2011-12.

Appropriation Limit for FY 2010/11		\$ 118,967,782
Change factors applied to prior year		
Per Capita Personal Income Change		2.51%
Population Change		0.45%
Per Capita converted to a ratio		1.0251
Population converted to a ratio		1.0045
Calculation of Factor for FY 2011/12:	(0.9746 x 1.0138)	1.02971295
Appropriation Limit for FY 2011/12		\$ 122,502,666
<i>Change in Appropriation Limit from Prior Fiscal Year</i>		<i>\$ 3,534,884</i>

PAGE INTENTIONALLY LEFT BLANK