

Office of the City Manager

PRESENTATION

April 8, 2003

To: Honorable Mayor and
Members of the City Council

From: Weldon Rucker City Manager

Subject: FY2004 and FY2005 Budget Balancing Framework and Preliminary City Manager
Recommendations

RECOMMENDATION

- 1) Based on City Council input over the last few months, this report offers a strategy for the development of the FY 2004 and FY 2005 Budget. While no action is required this evening, staff nonetheless requests Council feedback on the overall strategy and the specific elements of the FY2004 and FY2005 budget balancing plan.
- 2) Furthermore, it is recommended that the City Council approve a process and timeline for the City Manager's review of current City Boards and Commissions, and
- 3) It is recommended that the City Council authorize the City Manager to hire up to 5.0 full-time Parking Enforcement Representatives through a combination of increased overtime, part-time and full-time career employees.

DISCUSSION

Based on Council feedback and updated information about the State budget, a budget strategy has been developed that addresses the City's own General Fund structural budget deficit as well as provides contingencies to address potential impacts from the State budget (See attachment A).

FY 2004: Closes a \$4.7 million gap by increasing revenue by \$2 million and expenditure reductions of \$2.7 million. (Preliminary recommendations for specific reductions are listed in attachment B).

- Parking fines increasing from \$23 to \$30 generate \$1.8 million. The City will survey other jurisdiction to determine the projected fine amount on 07/01/03.
- It appears that the State will increase the Motor Vehicle fee to the 1998 levels generating \$4 Billion. However, the State still has a significant deficit of approximately \$30-35 billion and the State may still turn to cities for reductions in

FY 2005: Closes the \$8 million general fund gap through additional program reductions. (See Attachment B).

- Plan for a November 2004 Ballot Measure to raise sufficient revenue to avoid major service reductions. The amount and nature of the revenue measure will be informed by the Mayor's Blue Ribbon Task Force.
- The list of program reductions for FY2005 would only be implemented if the Council chooses not to proceed with a ballot measure, or, if the measure fails to receive the required level of voter-approval.
- A listing of one-time cost saving proposals has been developed to generate \$4-\$5 million in savings to fund FY2005 services pending the outcome of the election. Should a ballot measure not meet with voter-approval, these funds could be used to "buffer" impacts of the reductions.

The best case scenario results in a reduction of \$2.7 million in general fund programs and minimizing service impacts and layoffs. The worst case reduction of over \$16 million will require substantial service cuts and significant number of layoffs.

The next step of the process is to request Council feed back about the overall strategy and specific reduction proposals. I will consider tonight input in the development of the City Manager's provided budget, which will be submitted to the City Council on May 13, 2003.

I recommend that from this point on suggestions for change to reduction proposals be accompanied by an offsetting recommendation in order to keep the budget in balance.

BOARDS AND COMMISSIONS

The City Council referred the review of Boards and Commissions for possible consolidations and cost savings to staff. Council requested that staff return with some ideas and a process for revision by 04/08/03. Additionally several Councilmembers have suggestions. Based on Council and staff input I would suggest the following:

- Require every Commission to develop an Annual Work Program for the fiscal year beginning in July. It must be submitted to the City Council the first meeting in May. Staff will cost-out resources required to implement work program. Council will adopt work program and set budget in conjunction with overall City budget in June.
- Without an approved work plan No staff resources.
- Staff will track costs and report to Council if they have been fully expended. An early warning system must be implemented to avoid a crisis. Council approval is required for additional resources. Costs to include: preparation of agenda and materials, attendance of meetings and follow up work.
- Consistent with Commissioners Handbook reinforce the policy that staff is not required to attend or take minutes of subcommittees.

- That the City Council reviews the charge for each commission and develop a set of qualifications required for membership. This is to ensure that there is the necessary expertise on each commission to appropriately advise Council.
- That a set of recommendations for Boards and Commissions consolidation and/or reduction of the frequency of the meetings be developed by September 2004 and finalized by December 2004. Public hearings would be conducted on the recommendations between September and finalizing recommendations in December
- Review criteria include:
 - Commissions with similar “charge”
 - Staff availability due to reductions.
 - Participation of Commissioners, number of appointments attendance.

I welcome Council feedback on this suggested approach.

PARKING ENFORCEMENT

The City Council requested that staff analyze the additional benefits of adding five additional parking enforcement representatives (PER's), including additional supervisory support.

In FY 2003 the Council added five officers increasing the total strength from 18 FTE to 23 FTE a 28% increase in staffing. However, the number of citations, once all the PERs were hired only increased 5.7% and revenue only 2.7% from the previous year.

It is not clear that by adding five full time employees is the most cost effective approach to address Council concerns about parking enforcement. As recommended in the Preferential Parking Report a study of enforcement routes and schedules is required to effectively deploy staff. This study is yet to be funded and will take some time to complete. Until then, there needs to be a flexible staffing approach.

Therefore, I recommend that the Council authorize the City Manager to add the equivalent of five FTE through a combination of overtime, part time and career staff. The addition of staff will also require additional enforcement vehicles, improvements to the police traffic bureau office space as well as additional parking.

Staff will complete the financial analysis once the costs of space, equipment and staffing are determined; however, based on preliminary review, it appears clear that the revenues generated through increased parking enforcement and, possibly, increased rates for preferential parking permits would fully offset any increased costs (\$450,000/year PLUS \$60,000-\$75,000 one-time).

In order to ensure that increased resources for parking enforcement yield the desired results in terms of both enforcement and cost-covering revenues, quarterly reports will be presented to the City Council on the status of additional staff and enforcement activities.

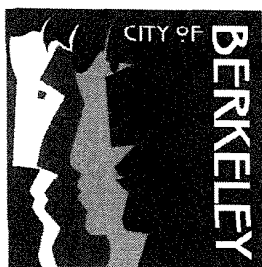
CONTACT:

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ATTACHMENTS

Attachment A – Budget Balancing Framework

Attachment B – City Manager's Preliminary Budget Reduction Proposals



Office of the City Manager

BUDGET DEVELOPMENT STRATEGY FY 04 & FY 05 FIVE YEAR PLAN

I. FY 04 – Close \$4.7 million General Fund Gap

- Raise \$2 million in new revenue – Increase Parking fines from \$23 – to \$30 generating \$1.8 million and other fee increases totaling \$200,000.
- \$2.7 million in reductions to balance General Fund Budget
- Reductions to balance other funds

II. State Budget cuts – Develop contingency plan – \$4.1 million list of reductions.

I. FY 05 – Close \$8 million General Fund Gap

- Develop list of \$8 million of reductions
- Preliminary list May 2003
- Finalize list by January 2004
- Continue hiring freeze to create vacancies and avoid layoffs

II. Plan for November 2004 Ballot Measure – Mayor’s Blue Ribbon Task Force to develop Measure by July 2004

- Delay any reductions until measure is decided
- Develop list of “one time” resources to:
 - Delay most reductions until December 2004 (4-5 million list)
 - Or use to reduce impact of reductions if decide to not have a Ballot Measure

Five Year Plan – Need to continue to reduce costs

- Reduced Workers’ Comp
- Reduced Medical
- Reduced PERS
- Reduced Staff

FY2004 & FY2005 BIENNIAL BUDGET FRAMEWORK FOR BALANCING PLAN

FY2004

EXCLUDING STATE VLF REVENUE LOSS

General Fund Deficit	\$	3.6	Million	
Paramedic Fund		0.6		
Streetlight		0.2		
Parking Meter		0.3		
General Fund "Problem"	\$	4.7	Million	PLUS
Other Funds Balanced with Cuts		3.2	Million	

General Fund

Revenues	Approx.	2.0	Million
Parking Citations (to \$30)		1.8	
Other Revenues		0.2	
		<u>2.0</u>	

Reductions

Group A	Approx.	2.7	Million
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TOTAL BALANCING MEASURES	4.7	Million
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WITH STATE VLF REVENUE LOSS

Baseline General Fund Deficit	\$	4.7	Million
State VLF Revenue Loss		4.1	
	\$	8.8	Million

Revenues	Approx.	2.0	Million
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Reductions	6.8	Million
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Group A	Approx.	2.7	Million
PLUS			
Group B	Approx	4.1	Million

8.8	Million
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FY2004 & FY2005 BIENNIAL BUDGET FRAMEWORK FOR BALANCING PLAN

FY2005

EXCLUDING STATE VLF REVENUE LOSS

General Fund Deficit (Additional)	7.9 Million
General Fund Deficit	7.3 Million
Paramedic Fund	0.4
Streetlight	
Parking Meter	0.2
General Fund "Problem"	<u>7.9</u>

Revenues

November 2004 Ballot Measure	8.0 Million (GF)
Misc Other Revenues (TBD)	
	<u>8.0</u>

Reductions

One-Time
Need \$4 - \$5 Million in One-time Measures to cover cuts through 1/1/05
If Ballot Measure Passes...Funds can be Re-programmed to other needs

Recurring
If Ballot Measure Fails

Group B	4.1 Million
Plus	
Group C/D	<u>4.0</u>
	8.1 Million

WITH STATE VLF REVENUE LOSS

Reductions

One-Time
Need \$4 - \$5 Million in One-time Measures to cover cuts through 1/1/05
If Ballot Measure Passes...Funds can be Re-programmed to other needs

Recurring
If Ballot Measure Fails

Group C/D	4.0 Million
Plus	
Group E/F	<u>4.0</u>
	8.0 Million

Program/Expenditure Reductions

This attachment presents the City Manager's preliminary recommendations for General Fund budget reductions to balance the FY2004 & FY2005 budget.

While no action is required of the City Council this evening, Council feedback is requested to help develop the final proposal. Specifically, direction will be sought as to the total cumulative level of program reductions (versus new revenues) that may be deemed "acceptable" as part of the FY2004 and FY2005 budget balancing plan. In addition the specific reductions to be implemented under the various scenarios and contingency plans will need to be determined.

The total list of proposed expenditure reductions is presented in discrete increments (\$2.7 million, \$6.8 million, \$10 million, and \$15.5 million) in recognition of the uncertainties that may impact the City budget situation. In essence the balancing plan to be approved as part of the FY2004 & FY2005 Adopted Budget will not only need to address a significant "baseline" budget deficit (\$2.7 million - \$8.0 million over two years), but it will also need to provide for a specific contingency plan consisting of additional balancing measures that would be implemented depending on the outcome of the State Budget (which are not likely to be known until after the City Council adopts the City budget), and the results of any prospective ballot measure to raise new revenues.

SUMMARY OF BUDGET REDUCTION PACKAGES

GROUP A

General Fund	\$	2.7 Million	
Other Funds		3.2 Million	
	\$	5.9 Million	
Impacts			
General Fund		Total	Filled
FTE		10.5	3.0
Sworn		0	
Services			
Gen Govt'	\$	731,550	
Housing		604,718	
Health		602,134	
Public Safety		228,770	
PW/PRW/Transp		140,603	
Comm. Development		350,910	
Citywide		213,000	
Total General Fund	\$	2,871,685	
Other Funds	\$	3,200,000 *	
Total All Funds		6,071,685	

SERVICE IMPACTS

Reduction Citywide Expenditures (Travel, Phones)
 Transfer of Costs to Other Funds
 Reduction in Overtime (Sworn/Civilian)
 Reduction in Selected Community Agency Contracts (5%)
 Reduction in Administrative Support
 Re-organizations:
 Information Technology
 Community Agency Contract Monitoring
 Pool Closure (Winter Months)
 Deferral of Capital Improvement Program Allocations
 Continue Selective Hiring Freeze
 Reduced support for Special Events (in-kind services)
 * Reduction in Parks Landscaping Services
 * Reduction in Library Materials Budget
 * Reduction in Library Hours
 * No Utility Undergrounding Project Support
 * Reduction in Clean Storm Water Capital Program

GROUP B

General Fund	\$	4.1 Million	
Impacts			
General Fund	Add'l.	Total	Filled
FTE	27.62	38.12	16.5
Sworn	4	6	0
Services			
Gen Govt'	\$	1,254,883	\$ 1,986,433
Housing		205,005	809,723
Health		527,125	1,129,259
Public Safety		1,348,636	1,577,406
PW/PRW/Transp		310,100	450,703
Comm. Development		185,400	536,310
Citywide		125,000	338,000
Totals	\$	3,956,149	\$ 6,827,834

SERVICE IMPACTS

Reduction in Citywide Operating Costs (Facilities / Fleet)
 Reduce Hours at Senior Centers
 Reduce Summer Camp Programs
 Reduction in Selected Community Agency Contracts (10%)
 Reduction of 4.0 Vacant Sworn Police Officer positions
 Reduction of 2.0 Vacant Sworn Fire positions
 Increased Backlog of Permit Applications
 Reduction of Analysis Support and Internal Controls
 Increased Delays at City Customer Service Counters

SUMMARY OF BUDGET REDUCTION PACKAGES

GROUP C/D				
General Fund		\$	3.2 Million	
Impacts				
General Fund	Add'l.		Total	Filled
FTE	30.0		68.1	31.5
Sworn	10.0		16.0	0
Services				
Gen Govt'		\$	362,482	\$ 2,348,915
Housing			66,005	875,728
Health			-	1,129,259
Public Safety			2,370,824	3,948,230
PW/PRW/Transp			-	450,703
Comm. Development			383,298	919,608
Citywide			-	338,000
Totals		\$	3,182,609	\$ 10,010,443

SERVICE IMPACTS
Additional reductions in Admin. Support
City Attorney's Office
Human Resources
City Clerk
Animal Control
Reduction of 10 Vacant Police Officer positions
Bicycle Patrol
Property Crimes
Motorcycle Unit

GROUP E/F				
General Fund		\$	5.5 Million	
Impacts				
General Fund	Add'l.		Total	Filled
FTE	36.8		104.9	57.79
Sworn	36.0		52.0	25.5
Services				
Gen Govt'	\$	-	\$	2,348,915
Housing		-		875,728
Health		-		1,129,259
Public Safety		4,526,351		8,474,581
PW/PRW/Transp		-		450,703
Comm. Development		-		919,608
Citywide		1,000,000		1,338,000
Totals	\$	5,526,351	\$	15,536,794

SERVICE IMPACTS
Reduction of 16 Filled Police Officer Positions
Rotating Closure of One Fire Station (Reduce Relief Overtime)
Delete Fire Truck Company (10.5 Fire FTE)
Amendments to Labor Contracts (Deferral of COLA)