

Budget Workshop

City Council

December 09, 2008

Workshop Objective

- **Informational Session ONLY**
 - Update on City Budget Outlook
 - City Revenue Projections Downgraded
 - State Budget Uncertainties Loom
 - FY2008/09 and FY2009/10 Deficits Projected
 - Short-term - Cost Containment Measures
 - Aggressive Balancing-Plan needed
 - Long-Range Financial Plan Revisited
 - Unmet Needs
 - Existing Voter-Approved Tax Measures
- **Seek Council Feedback**
 - Budget Reduction Scenarios
 - Long-Range Ballot Priorities

Long-Range Financial Planning Framework

- **Address (Re-Emerging) Structural Budget Deficit**
 - Ensure that City can continue to provide current level of services with existing revenue sources
- **Preserve EXISTING Voter-Approved Revenues**
 - ½-cent Sales Tax (\$3.0 million – Meas. P expires 2010)
 - Parks Maintenance Tax (\$1.3 million – Meas. G expires 2012)
- **Identify Options for Addressing PRIORITY Needs Not Provided for in Current Budget**
 - Public Safety
 - Transportation
 - Parks / City Facilities
 - Storm Drain / Utility Costs

WHERE WE WERE.....

FY2008/09 General Fund Five-year Forecast

(\$ millions)

	Estimate FY2007/08	Budget FY2008/09	Forecast			
			FY2009/10	FY2010/11	FY2011/12	FY2012/13
Begin Fund Balance	7.91	5.99	5.99	6.17	6.41	6.66
Revenues	38.16	39.64	41.38	43.19	45.08	47.07
Expenditures	40.08	39.64	41.20	42.95	44.83	46.83
Ending Fund Balance	5.99	5.99	6.17	6.41	6.66	6.89
Reserve Policy	5.72	5.95	6.21	6.48	6.76	7.06
Available Fund Balance	0.27	0.04	(0.04)	(0.07)	(0.10)	(0.17)
Surplus (Deficit)	(1.92)	(0.00)	0.18	0.24	0.25	0.23

Property Tax Update

- FY2008/09 Budget Assumptions

- Revenue Growth Factor 6.5%

- Actual Assessed Values (AV)

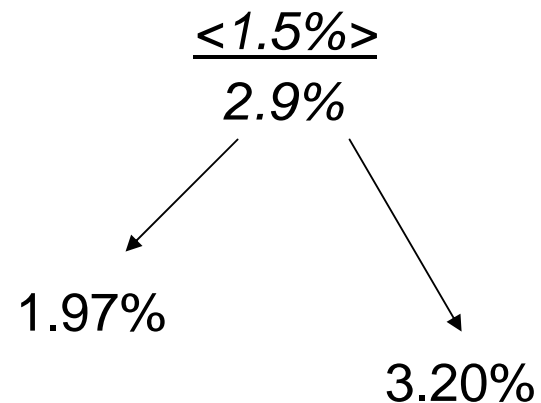
- Base Assessment 4.4% growth

- *Prop 8 Re-assessments*

- *Citywide Assessed Values*

- City (General Fund)

- Redevelopment (RDA)



Property Tax Update

- FY2008/09 Revenue Impacts (\$600,000) General Fund
 - Secured Property Tax (\$450,000) GF
 - In-Lieu VLF (\$150,000) GF
 - Redevelopment Tax Increment (\$280,000) RDA
- Updated Property Tax Forecast:

Annual Percentage Change (%)

	08/09	09/10	10/11	11/12	12/13	12/13
Previous Forecast	6.5	6.0	5.5	5.0	5.0	5.0
Updated Forecast	2.0	2.0	2.5	3.5	4.5	5.0
Pessimistic	0.0	0.0	2.0	2.5	3.0	3.0

Sales Tax Update

- **FY2008/09 Budget Assumptions**
 - 2.5% Growth Factor
 - Flat Inflation-Adjusted Forecast
- **Updated Sales Tax Receipts**
 - Ended FY2007/08 AT Projections +3.2% *growth*
 - First Quarter Receipts DOWN
 - Revised FY2008/09 Estimate - 5.0% *reduction*
- **Auto-Related Sales**
 - Down 20% from previous benchmark quarter
 - Further declines projected industry-wide
 - Loss of LaMesa RV

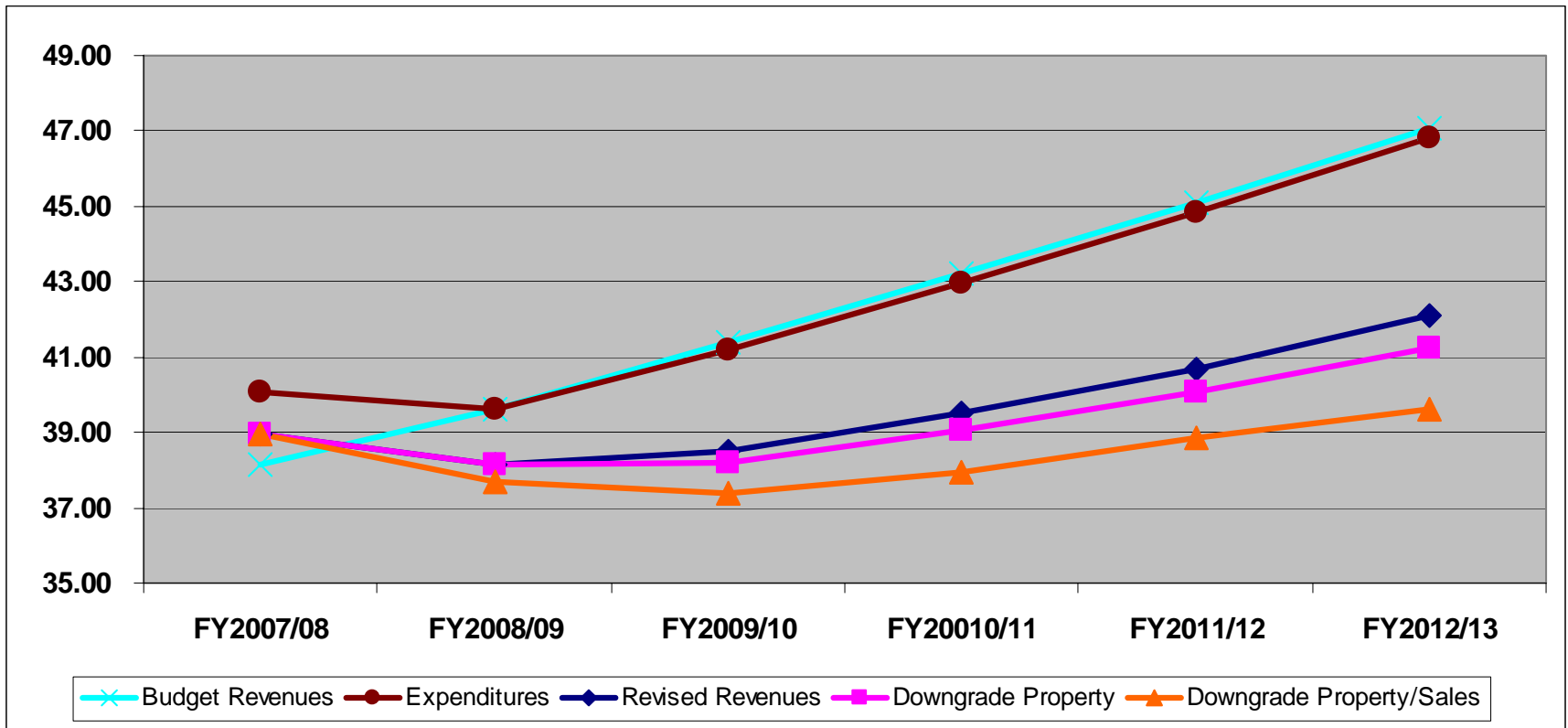
Sales Tax Update

- FY2008/09 Revenue Impacts (\$750,000)
- Updated Sales Tax Forecast:

Annual Percentage Change (%)

	08/09	09/10	10/11	11/12	12/13	13/14
Previous Forecast	2.5	2.5	3.0	3.0	3.0	3.0
Updated Forecast	<5.0>	1.0	2.0	2.5	2.5	2.5
Pessimistic	<10.0>	<5.0>	0.0	2.0	2.0	2.0

Alternative General Revenue Scenarios



Updated General Fund Forecast

- Reserve Levels

- FY07/08 Fund Balance + \$330,000
 - Exceeds Level Assumed on FY08/09 Budget 17.7%
- Additional Set-Asides
 - Public Safety Staffing \$150,000
 - Retiree Medical (Unfunded Liability) \$700,000

- Revenue Downgraded

- Original Baseline Forecast 3.9% -> 4.4%
- Revised Forecast -2.0% ->3.5%

Updated General Fund Forecast

- **Baseline Budget Assumptions**

- **Personnel Expenditures**

- **Salaries** Aggregate 3.7%
 - Police - 5% per current MOU
 - Others - Inflation-adjustments ONLY
 - Overtime – FLAT (Dept to Absorb COLA increase)

- **Health Insurance** 12% increase

- **Retirement**

	<u>FY08/09</u>		<u>FY09/10</u>
– Miscellaneous	12.089%	->	12.542%
– Safety	22.469%	->	22.755%

- **Non-Personnel Expenditures**

- Adjustments for existing service contracts
 - Internal Service Charges

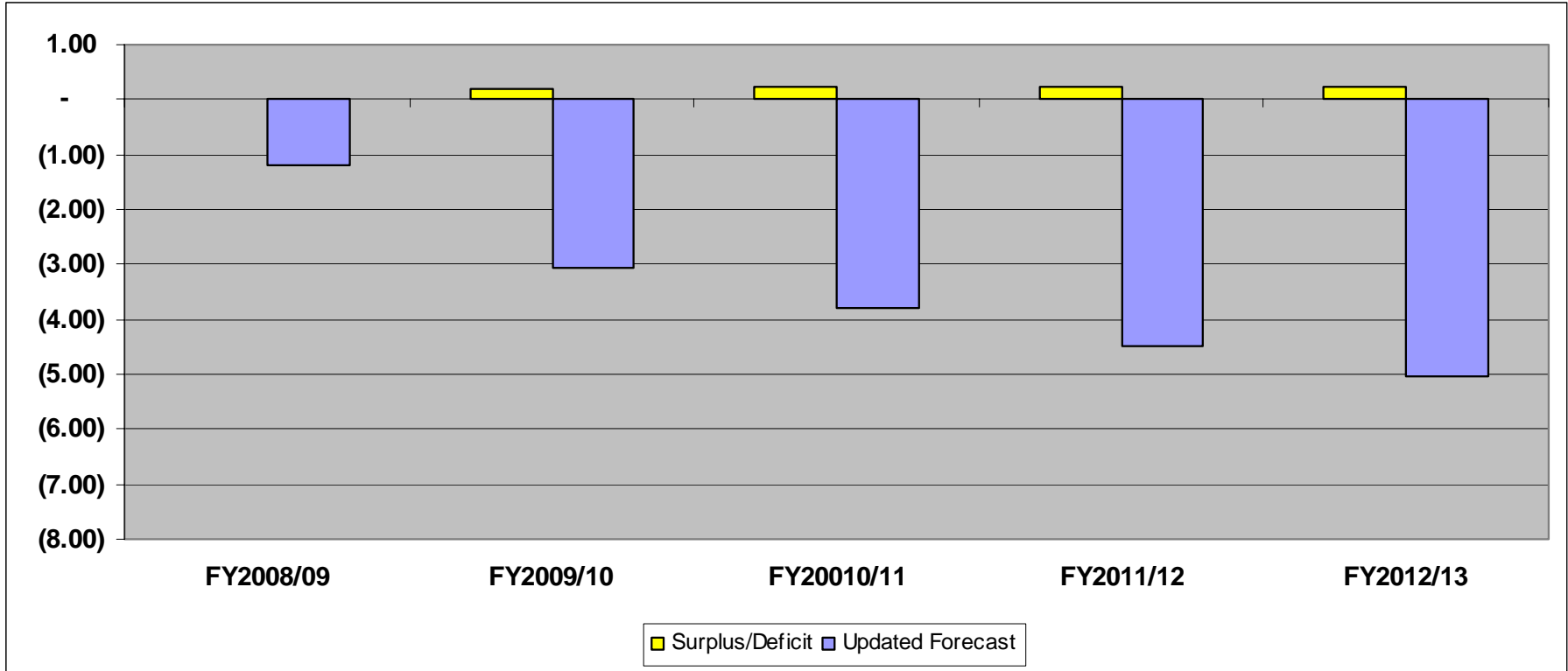
FY2009/10 PRELIMINARY

General Fund Five-year Forecast

(\$ millions)

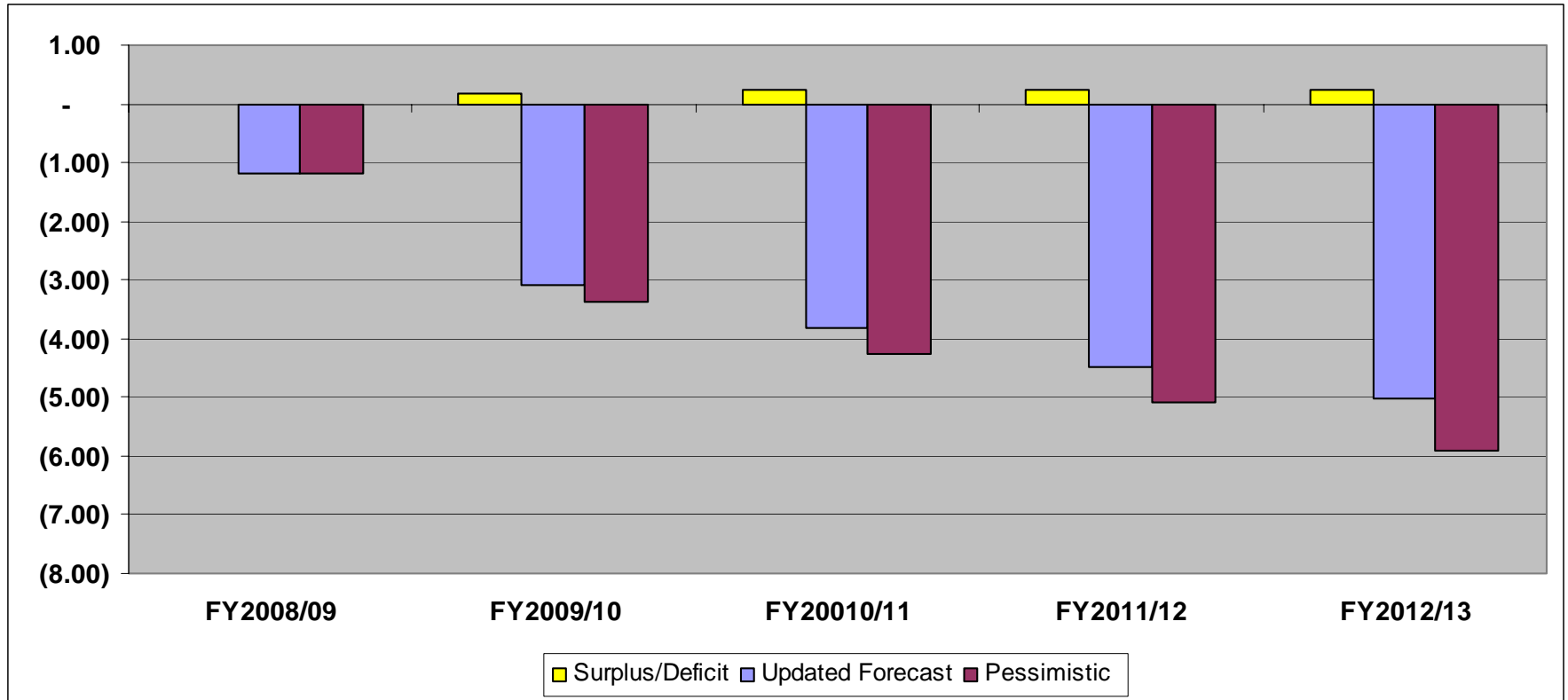
	Actual	Estimate	Forecast			
	FY2007/08	FY2008/09	FY2009/10	FY2010/11	FY2011/12	FY2012/13
Begin Fund Balance	7.91	6.31	5.13	2.06	(1.75)	(6.24)
Revenues	38.95	38.16	38.50	39.51	40.68	42.11
Expenditures	40.55	39.34	41.58	43.32	45.17	47.15
		-2.0%	0.9%	2.6%	3.0%	3.5%
Ending Fund Balance	6.31	5.13	2.06	(1.75)	(6.24)	(11.28)
Reserve Policy	5.71	5.38	5.43	5.57	5.75	5.95
Available Fund Balance	0.60	(0.25)	(3.37)	(7.32)	(11.99)	(17.23)
Surplus (Deficit)	(1.60)	(1.18)	(3.08)	(3.81)	(4.49)	(5.03)

FY2009/10 PRELIMINARY General Fund Five-year Forecast (\$ millions)



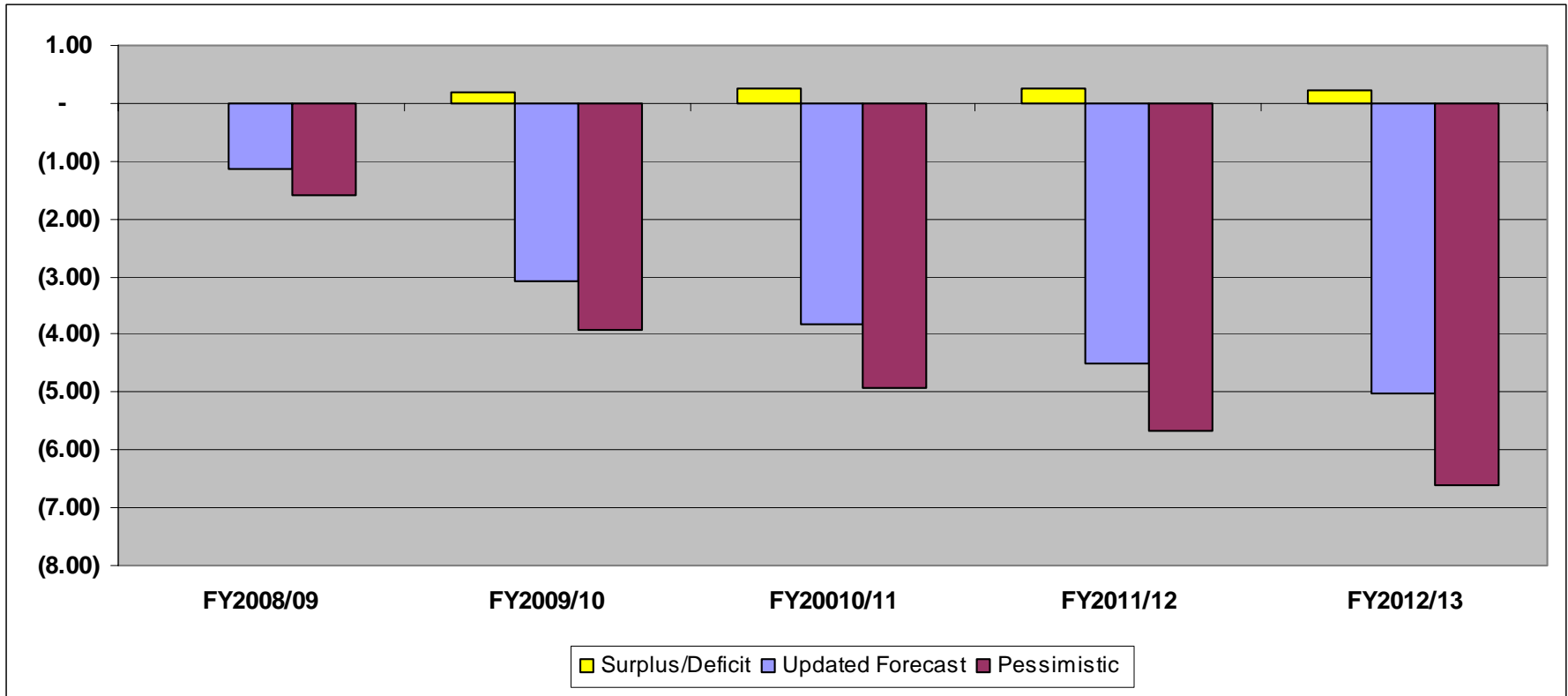
Forecast Remains Volatile

Scenarios – Property Tax Sensitivity



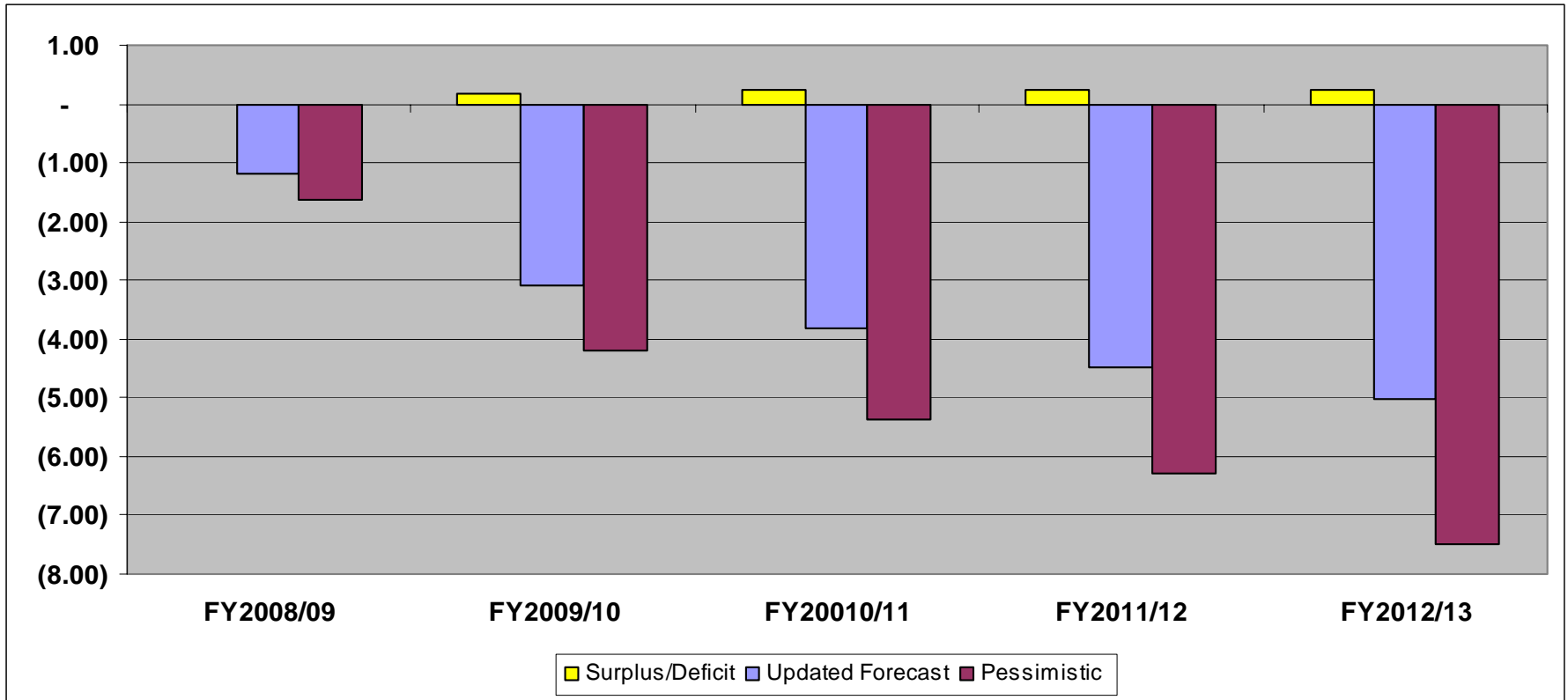
Forecast Remains Volatile

Scenarios – Sales Tax Sensitivity



Forecast Remains Volatile

Scenarios – Pessimistic Property and Sales Tax



Non-General Funds Also Impacted

- **RDA**
- **Building/Permit**
- **Transportation Funding**
- **Grants**

Budget Framework: Comprehensive Strategies Required

- **Current Year (\$1.5 + Million)**
 - COST CONTAINMENT Measures
 - “Excess” General Fund Reserves
- **FY2009/10 Budget Outlook – (\$3.0 - *plus* Million)**
 - Expenditure Reductions
 - Service Reductions
 - Revenue Enhancements
 - State Budget Contingencies
- **Long-Range Planning**
 - Council Budget Priorities
 - Unmet Needs (Delayed)

General Fund Reserves

- **General Fund Reserve Policy**
 - Current Policy 15%
 - Excess reserves limited to one-time/Capital expenditures
- **Use of Reserves**
 - Economic Uncertainty
 - Buffer impacts of long-term revenue shortfalls
 - Absorb one-time impacts (i.e. borrowing)
- **Need plan to restore reserves**

Current Year Cost Containment Measures

- Selective Hiring Freeze
- Eliminate Discretionary Overtime
- Curtail Travel / Training
- Delay/Defer Discretionary Contracts

FY2009/10

Hypothetical Budget Balancing Framework

	FY08/09	FY09/10	FY10/11
One-Time Cost Savings	<i>Up to \$900,000</i>		
Excess Reserves	\$330,000		
Target Revenues	--	\$300,000	\$600,000
Personnel Costs	--	???	???
Retiree Medical Prepayment		\$600,000	\$600,000
<i>Sub-Total</i>	---	\$1,500,000	\$1,800,000
Program Reductions	--	\$1,500,000 - \$2,000,000	
Revenue Enhancements	--	??	??

FY2009/10

Alternative Budget Reduction Targets

	5%	7%
City Council	6,940	9,715
City Attorney	21,398	29,958
City Manager's Office	219,912	307,877
Community Development	85,054	119,075
Community Services	223,227	312,518
Parks & Gen Svcs	378,731	530,224
Fire	439,642	615,498
Police	728,138	1,019,394
Public Works	58,841	82,377
	2,161,883	3,026,636

FY2009/10

Alternative Budget Reduction Targets

	3%	7%	9%
City Council		9,715	12,491
City Attorney	-		
City Manager's Office		307,877	395,841
Community Development		119,075	153,097
Community Services		312,518	401,809
Parks & Gen Svcs		530,224	681,716
Fire	263,785		
Police	436,883		
Public Works		82,377	105,913
	700,668	1,362,132	1,751,312
		2,062,800	3,113,444

Budget Priorities

- Existing Departmental Workplans
- Council Goals
- New Sustainability Initiatives
- Capital Program Requirements

Potential State Budget Impacts

- Borrowing 8% Property Tax \$750,000
 - Prop 1A(2004)
- Borrowing 100% Prop 42 Funds \$600,000
 - Prop 1A(2006)
- Public Safety Funding \$625,000
 - Prop 172 \$400,000
 - Booking Fees \$100,000
 - COPS Grants \$125,000
- Redevelopment Funding \$660,000
 - Possible Permanent ERAF Shift

Possible State Budget Contingencies

- Limit Use of Reserves to “Borrowing” Measures
 - Property Tax
 - Ex. Not-to-Exceed 5% of General Fund Reserves
- Public Safety Funding Reductions
 - Public Safety Impacts
 - General Fund Reductions
- Transportation Funding
 - Impact on Street Rehab Program
 - Other projects
- Redevelopment Agency

Context for Update of Long-Range Financial Plan

- Extensive List of Unmet Needs (up to \$13 million)
- Election Calendar Consideration
- Legal Considerations
- Inter-Agency Considerations

Long-Range Financial Plan Update

- **DJUSD**
 - Voters Approved Measure W Nov '08
 - Both DJUSD Parcel Taxes subject for renewal in 2011
 - State Budget Impacts could re-open funding gap
- **Public Information / Outreach**
 - w/ Finance and Budget Commission
- **Community Priorities**
 - Update of June 2007 Citizen Survey (Spring '09)

Long-Range Financial Plan Update

- **PRIORITY #1 – Renewal of ½ cent Sales Tax**
 - June 2010
 - ½ cent Sales Tax generates approx. \$3.0 million / year
- **PRIORITY #2 – Replace Parks Maintenance Tax**
 - Early measure by 2011
 - Sunsets June 2012
- **Possible “joining” of measures**
 - Ex. - ¼ cent increase in Sales Tax generates \$1.5 million
 - General Fund / Discretionary (50% approval)
 - Special funding - Parks/Transportation/Safety (67% approval)

Next Steps

- **Continue to Monitor Revenue Picture**
- **Refine FY2009/10 Expenditure Baseline**
- **Evaluate Cost Reduction Options**
- **FY2009/10 Budget Framework**
 - Budget-balancing plan
 - Contingency plan(s)
- **Long-Range Plan**
 - Public Education / Outreach
 - Update Community Survey
 - Decision point June '09 / Jan '10

Budget Calendar

- **Dec – Finalize 09/10 Baseline / Departmental Budget Instructions**
 - Q3 Sales Tax Receipts*
- **Feb – Mid-Year Budget Update**
 - Updated Budget Projections
 - Assess Savings from Cost Containment Measures
- **March – Spring Budget Workshop**
 - Budget Priorities
 - Balancing Plan Scenarios
- **May – Presentation of Proposed Budget**
- **June – Budget Adoption**
- ***January 2010 – Deadline for June Ballot***

Council Discussion

- **Budget Forecast**
- **Budget Balancing Scenarios**
- **Long-Term Planning**
 - Renewal of Existing Tax Measures
 - Unmet Needs