

**FISCAL YEAR 2010-11
BUDGET
WORKSHOP**

January 26, 2010

INTRODUCTION

- An unusual budget process/schedule
 - Recession
 - Revenues not matching expenditures
 - Structural deficit/use of reserves
 - Not “self-correcting”
- Purpose of workshop
 - Provide updated information
 - Create a City Council policy foundation for the remainder of the process

INTRODUCTION

(CONT.)

- Revenues declining/ expenditures growing
 - How to address:
 - Increase revenues
 - Offsetting expenditure reductions – services/ positions
 - Mitigate compensation cost increases
- Short-term
 - “3 prong” strategy
 - Key = managing expenditure growth

INTRODUCTION

(CONT.)

- Long-term sustainability
 - Manage service/staffing expansion
 - Limit CIPs with maintenance cost increases
 - Long-term compensation cost issues
 - PERS pension
 - Retirees' Health insurance cost
 - Service provision models

GENERAL OPERATING FUND

<u>Fiscal Year</u>	<u>Actual Revenues</u>	<u>Budgeted Expenditures</u>	<u>Net</u>
2005-06	\$ 78.9	72.7	+6.2
2006-07	85.1 (+6.2)	78.5 (+5.8)	+6.6
2007-08	88.1 (+3.0)	84.9 (+6.4)	+3.2
2008-09	88.0 (-0.1)	88.4 (+3.5)	-0.4
2009-10 (1)	86.7 (-1.3)	88.6 (+0.2)	-1.9
2009-10 (2)	85.8 (-2.2)	88.6 (+0.2)	-2.8
2010-11 (3)	86.1 (+0.3)	91.1 (+2.5)	-5.0

(Dollars in Millions) (1) Budgeted revenue (2) Estimated revenue (3) Forecast 5

PRIOR YEAR ACTIONS

- FY02-03 through FY05-06
 - Reduced expenditures \$10.8 M (\$7.0 M depts.)
 - Eliminated 66.25 positions (58.5 General Fund)
 - Adjustment to fees \$ 2.5 M
- FY09-10
 - Reduced expenditures \$4.0 M (\$2.2 M depts.)
 - Unfunded 15.25 positions (12.25 General Fund)
 - Adjustment to fees \$190,000
 - Use of \$1.6 M in Reserves

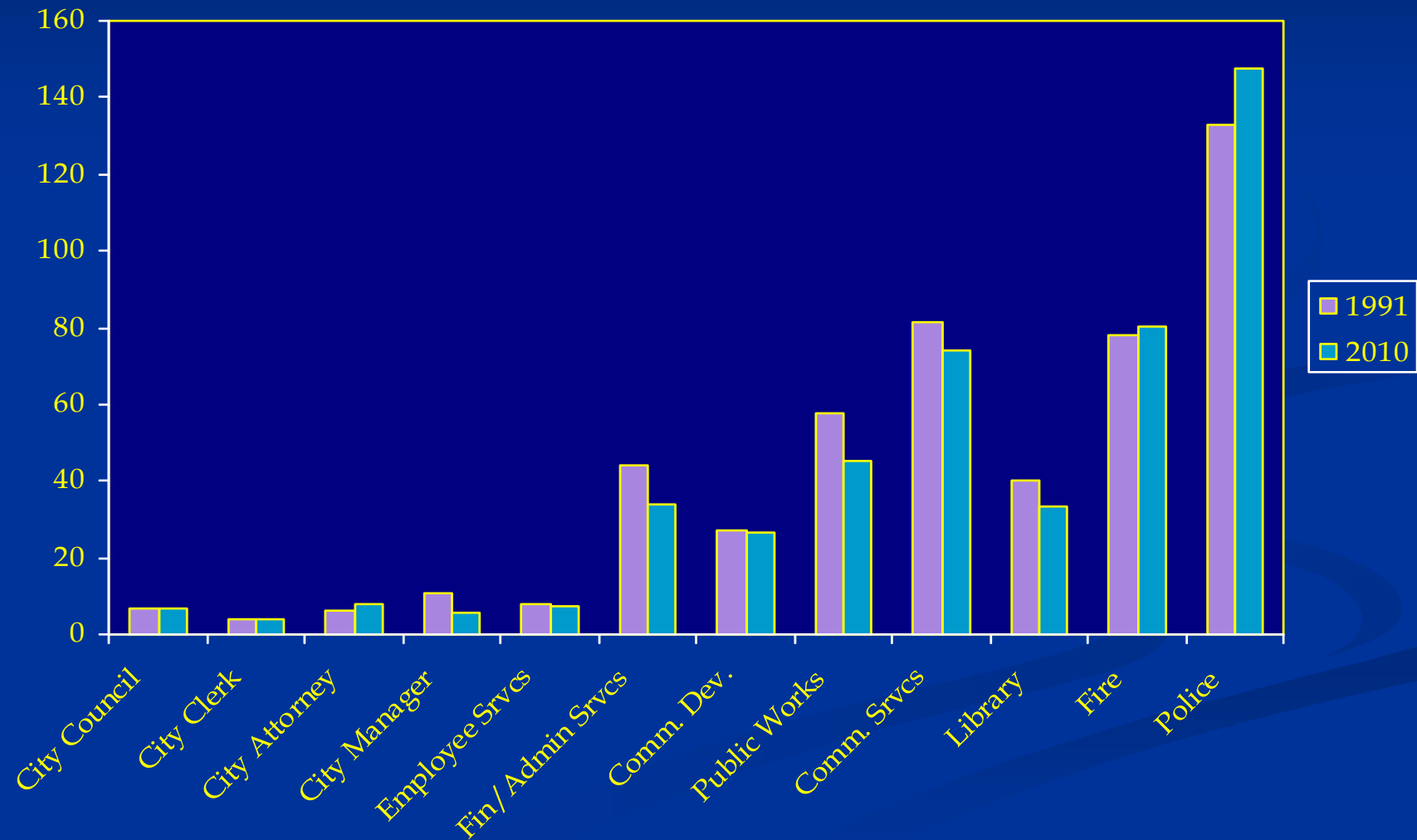
ADJUSTING TO PREVIOUS CHALLENGES

- What we have done & what the results have been
 - Flattened the organization and achieved organizational efficiencies by...
 - Eliminating management and supervisory positions
 - Eliminating clerical/support/analytical positions
 - Reduced Planning staff
 - Reduced Parks/Streets Maintenance
 - Reduced Facilities/Vehicle Maintenance
 - Reduced Performing Arts staff
 - Reduced Library staff and services
- Structurally balanced budget maintained up until FY09-10

PRIOR DEPARTMENT REDUCTIONS

<u>Department</u>	<u>Net Reductions since FY02-03</u>	<u>%</u>
City Manager	\$ 386	27.9%
City Clerk	125	26.0%
Finance & Admin. Services	1,343	20.1%
Employee Services	225	17.2%
Library Services	702	16.5%
Public Works	1,307	15.4%
Community Development	344	12.7%
Community Services	1,279	12.5%
City Council	26	11.1%
City Attorney	124	10.4%
Police	916	4.6%
Fire	<u>259</u>	2.2%
Total	\$ 7,036	
(Dollars in Thousands)	Average Reductions	14.7% ⁸

CITY GENERAL FUND STAFFING



FINANCIAL OVERVIEW

FY09-10 BUDGET

FY09-10 Projected Budget Deficit	\$ (5,837)
Unfunded 15.25 City positions	1,528
Transferred \$1.0 M Civic Center Debt	1,019
Reduction in services and supplies	614
Salary savings for non-safety vacant positions	300
Reduction in new capital equipment funding	200
Fee modifications	190
Employee Concessions (also FY10-11 \$852,000)	<u>377</u>
Budget balanced with reserves	\$ (1,609)

(Dollars in Thousands)

GENERAL OPERATING FUND BUDGET

	2009-10 <u>Adopted</u>	2009-10 <u>Estimated</u>	2010-11 <u>Forecast</u>
Revenues	\$ 86,657	85,816	86,093
Expenditures	<u>88,590</u>	<u>84,895</u>	<u>91,087</u>
Balance (Deficit)	(1,933)	921	(4,994)
Retirees' Health and Equipment Replc. Exp.	(2,321)	(2,321)	
Est. Budget Savings	<u>2,645</u>	<u>Included</u>	
Use of Reserves	\$ (1,609)	(1,400)	

(Dollars in Thousands)

FY10-11 PROJECTED DEFICIT

FY09-10 Carryover Deficit	\$ (1,609)
FY09-10 Est. Budget Savings/ Supplemental Expenditures, Net	(325)
Projected Revenue Decline	(564)
Compensation and Benefit Increase	(2,285)
Services and Supplies (not including additional nondiscretionary expenditures)	(167)
Liability Self-Insurance	<u>(44)</u>
FY10-11 Projected Budget Deficit	\$ (4,994)

(Dollars in Thousands)

GENERAL OPERATING FUND FORECAST

	2010-11 <u>Forecast</u>	2011-12 <u>Forecast</u>	2012-13 <u>Forecast</u>
Revenues	\$ 86,093	88,684	92,188
Expenditures	<u>91,087</u>	<u>96,049</u>	<u>101,591</u>
Balance (Deficit)	\$ (4,994)	(7,365)	(9,403)

(Dollars in Thousands)

GENERAL OPERATING FUND

- Current Fiscal Year
 - Revenues estimated \$841,000 less than adopted, due to sales tax
 - Expenditures estimated \$3.7 M less than adopted (assumed \$2.6M)
 - Reserves estimated \$1.4 M required to backfill structural deficit
- Fiscal Year 2010-11 Projected
 - Revenues projected \$564,000 lower than current FY adopted
 - Expenditures projected \$2.5 M higher than current FY adopted
- Fiscal Years 2011-12 and 2012-13 Projected
 - Revenues projected to grow modestly \$2.6 M and \$3.5 M
 - Expenditures projected to grow \$5.0 M and \$5.5 M of which \$1.4 M and \$2.0 M is due to PERS rate related to investment losses

PROPOSED PRINCIPLES AND STRATEGY

PROPOSED PRINCIPLES

- Preservation of public health, safety and infrastructure
- Prioritize preservation of core services that benefit the common good and cannot be readily accessed in another way
- Distinguish between essential service elements and customer service amenities in considering reductions in the Police and Fire Departments' budgets
- Continue to meet Federal, State and local regulatory requirements and mandates to the extent feasible
- Focus reductions on discretionary services Mountain View provides that other cities do not
- Preserve future talent in the City organization where possible

PROPOSED PRINCIPLES

(cont.)

- Protect internal services that support the efficiency of, and are essential to, the provision of City operations
- Consider the magnitude and impact of department reductions in prior fiscal years
- No expansion of City services without identified revenue sources
- Charge a fair price to access City services that serve targeted populations and not the community as a whole, distinguishing between residents and nonresidents
- Achieve meaningful, long-term savings in compensation and benefits that are shared equally among all City employees

PROPOSED PRINCIPLES

(cont.)

- Achieve a balanced, sustainable budget that incorporates departmental reductions, new fees and permanent employee cost containment
- Maintain sufficient reserves
- Consider high-potential employee cost-saving and revenue suggestions
- Provide sufficient time for community and employee engagement
- Identify longer-term strategies to contain costs and generate revenue, including evaluation of alternative approaches to service delivery

PROPOSED BALANCING STRATEGY

- Three interrelated categories and targets:
 - Operating Expenditure Reductions \$3.5 M - \$4.0 M
 - New Revenues \$500,000 - \$1.0 M
 - Compensation/Benefit Savings \$1.0 M
- Targets based on \$5.0 M projected deficit
- Approach is to give Council flexibility by presenting options that exceed the targets in each category
- New revenues would be achieved via increases and new fees
- Targets would need to be adjusted if revenue or savings in one category are not implemented

CATAGORIZATION OF CITY SERVICES

- Presented to demonstrate the types of services the City provides and which are mandatory, commonly provided, or unique to Mountain View
- Is the presentation useful to Council?
- Should staff continue to refine the matrix?

COST RECOVERY

- Does Council wish to establish a cost recovery policy?
- Need for Council input on which categories of Recreation services should come closer to “market” in cost recovery
- If desire to pursue Senior Center fee, suggest referring it to the Senior Advisory Committee for comment

LONGER-TERM INITIATIVES

- Alternative Service Delivery Approaches
- Structural Compensation Changes
- Ballot Revenue Measures/Property Owner-Approved Districts
- Is Council interested in Pursuing?

COMMUNITY INVOLVEMENT

- What is the intended outcome?
- Does the Council wish to undertake a community consultation process within this budget cycle?
- What approach should the City implement?

NEXT STEPS