



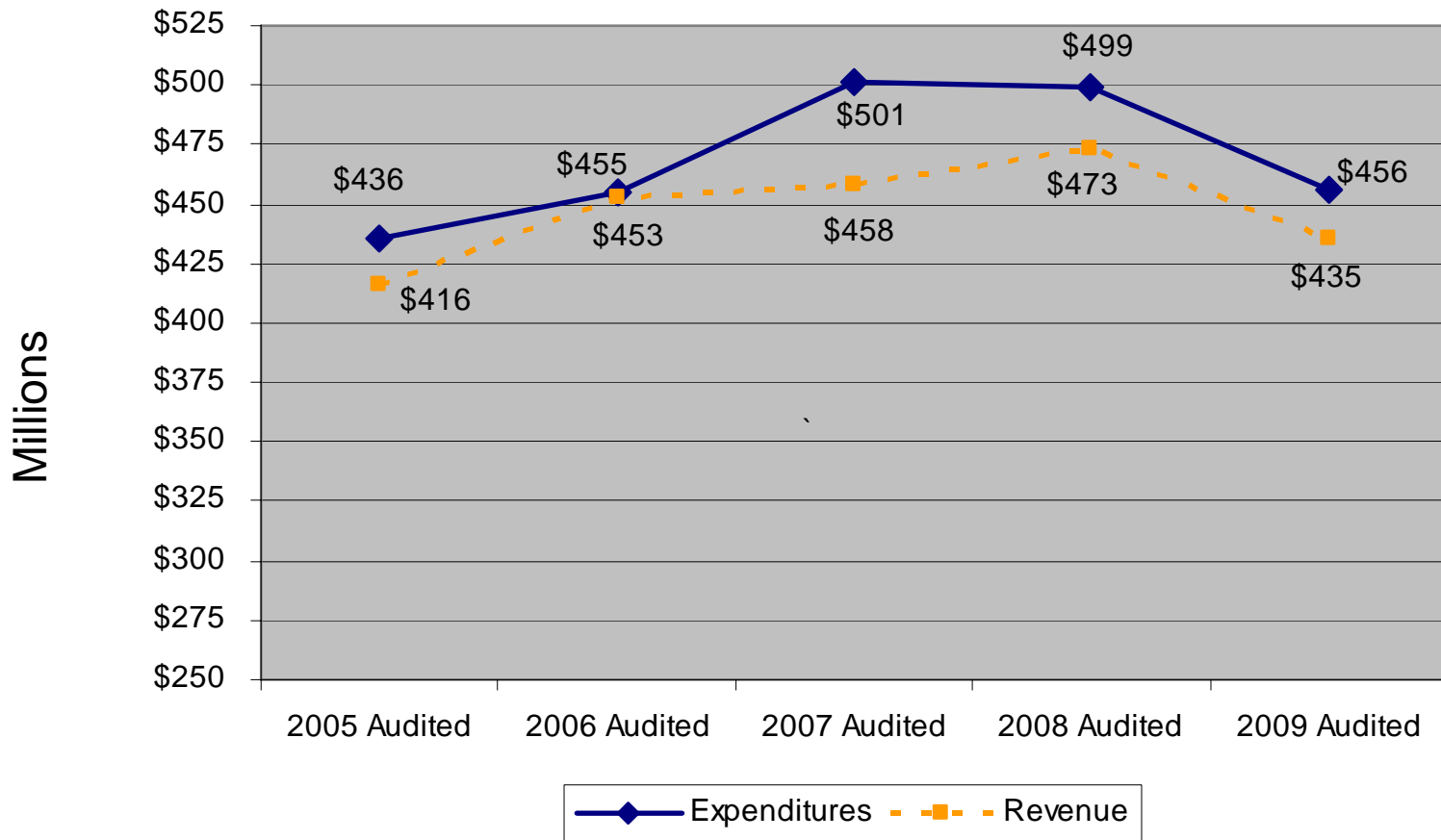
# Introduction of Budget Options Balancing System (BOBS) Framework for FY 2011

Mayor and Council  
February 23, 2010

# Tentative FY 2011 Budget Calendar

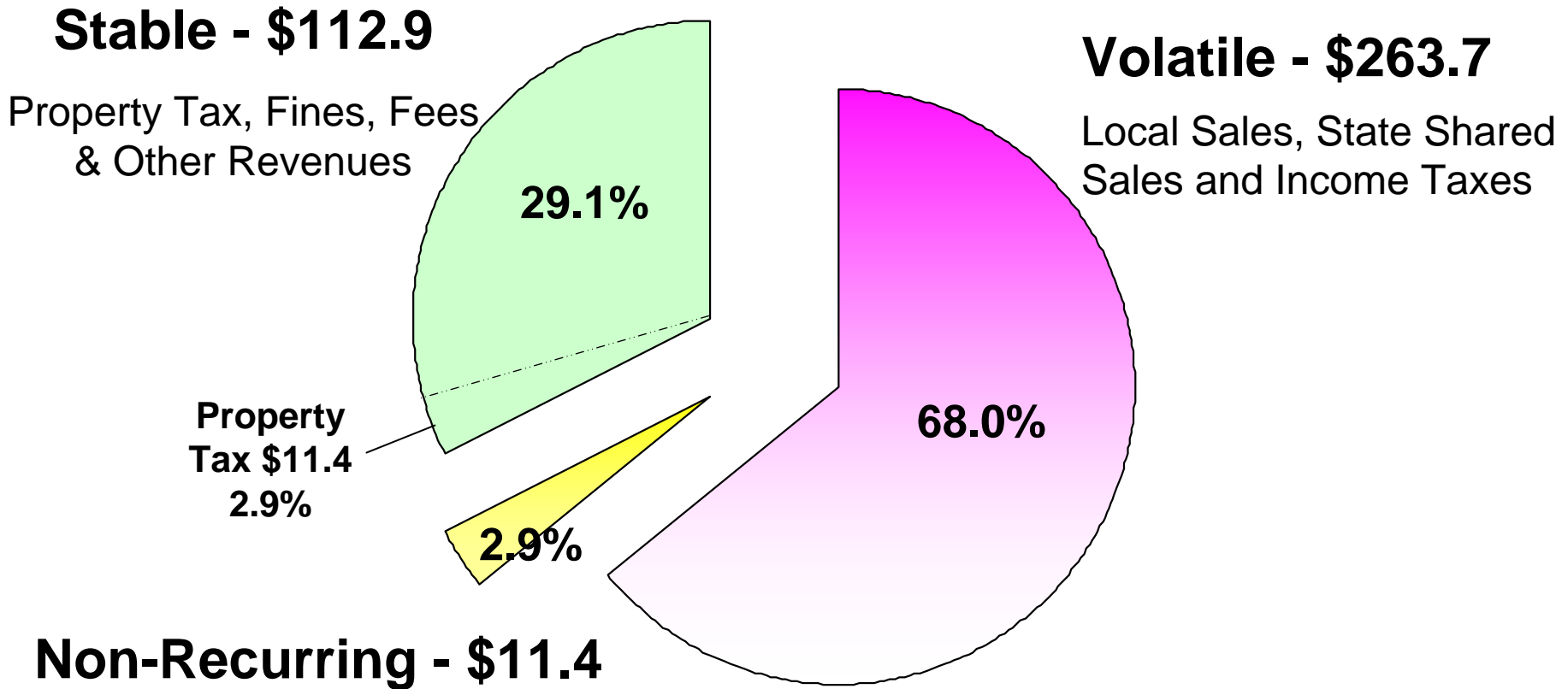
February 23	Introduction of Budget Options Balancing System (BOBS)
March 9 & 23, April 6	Balancing Strategies Discussions
May 4	Submission of City Manager's Recommended Budget
May 11	Public Hearing on Recommended Budget
May 18, 25	Recommended Budget Discussion
June 8	Tentative Adoption, Truth in Taxation Public Hearing
June 15	Public Hearing on Tentative Adoption
June 15	Special Meeting to Adopt Budget
June 22	Adoption of FY 2011 Property Tax Rates

# General Fund Revenues and Expenditures FYs 2005 – 2009



Note: Amounts do not include other financing sources or uses related to lease or bond transactions

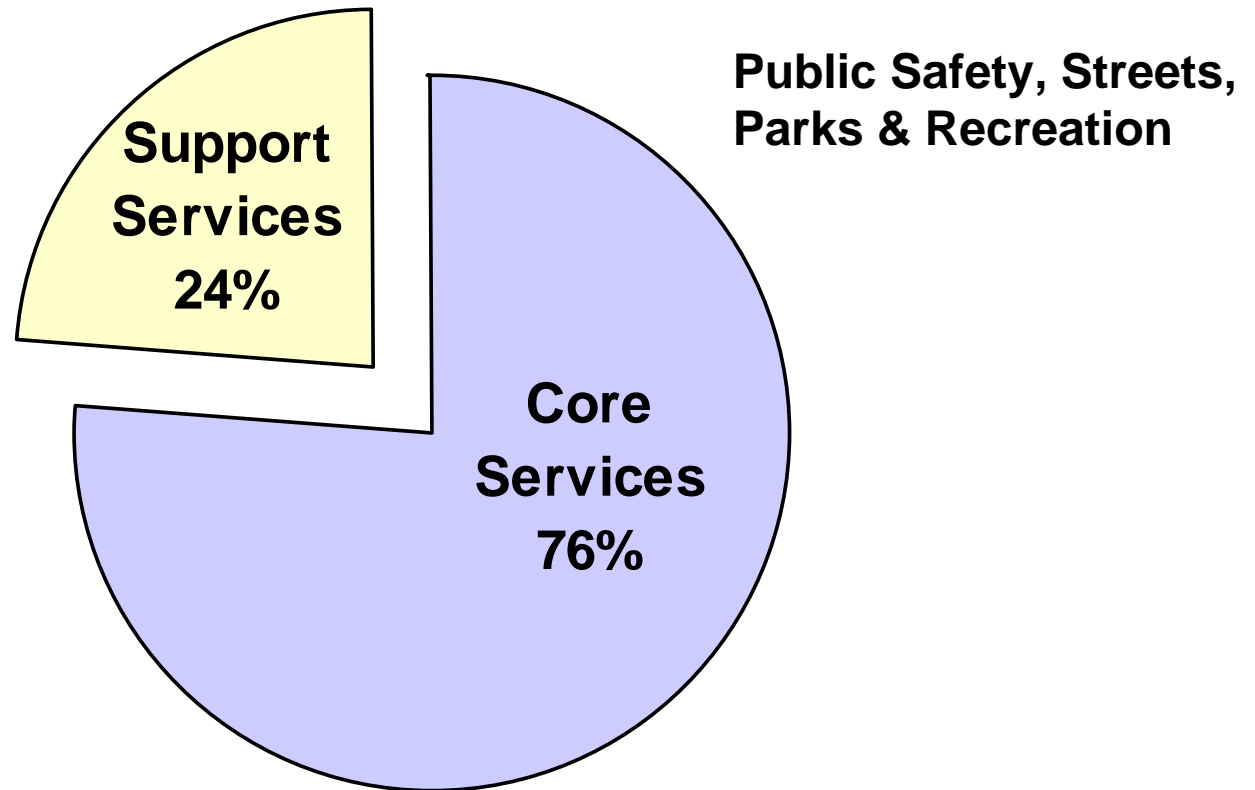
# FY 2010 General Fund Revised Revenues \$388 million



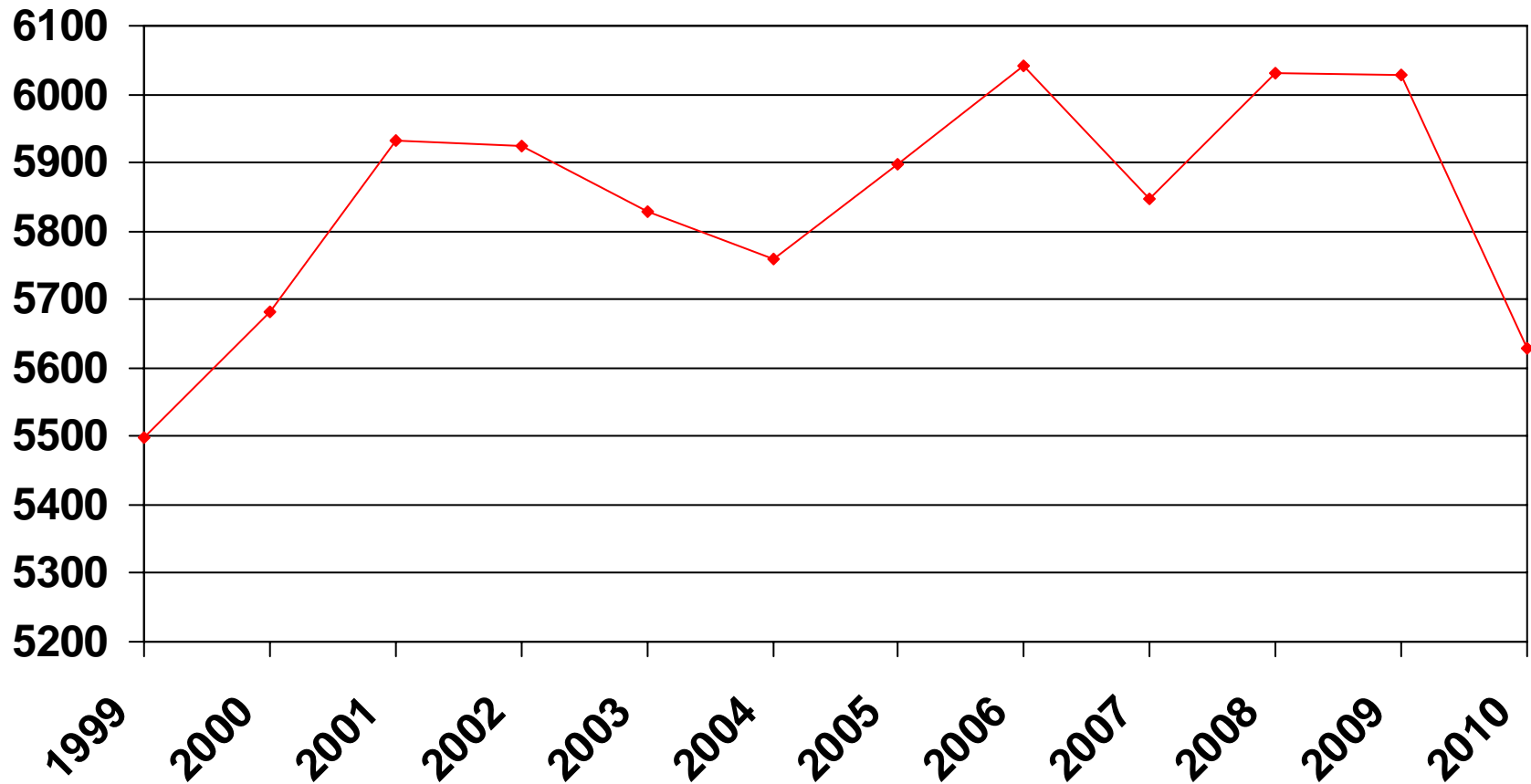
# Projected Revenue Shortfalls FY 2010

Revenue	Projected Shortfall FY 2010 (11-24-09)	Revised Projected Shortfall FY 2010 (2-23-10)
Sales Tax	\$4.8 million	\$1.4 million
State Shared Sales Tax	\$5.3 million	\$4.4 million
Utility Tax	\$2.1 million	\$2.5 million
Transient Rental Surcharge	\$0.65 million	\$0.6 million
Use Tax	\$3.7 million	\$3.7 million
Transient Occupancy Tax	\$1.8 million	\$1.5 million
Fines, Forfeitures & Penalty	\$3.9 million	\$4.7 million
Lawsuit	\$5.3 million	\$5.3 million
Misc Other Revenue Shortfall	<u>\$4.3 million</u>	<u>\$3.3 million</u>
Total Projected Revenue Shortfall	\$31.85 million	\$27.4 million

# FY 2010 General Fund Budget

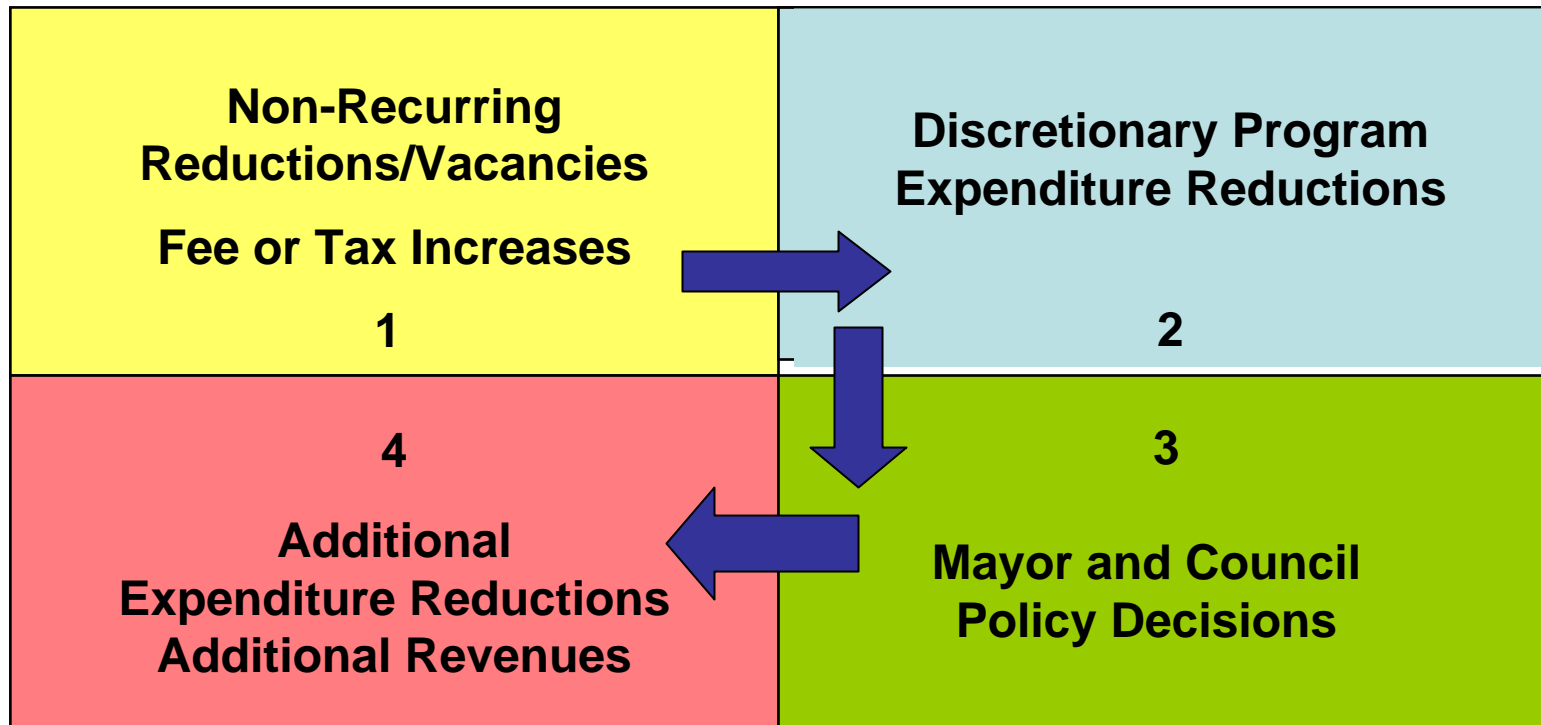


# FTE Comparison Citywide FYs 1999 - 2010



NOTE: FY 2010 has not yet been revised to reflect elimination of vacancies and layoffs which would bring this number down further.

# Mid-Year FY 2010 Budget Balancing Strategy



# Budget Balancing Measures

## FYs 2009 and 2010

- Elimination of 400 Vacant General Fund Positions
- Layoff and Employee Compensation Reductions (furlough, days uniform allowance; increased public safety pension contribution)
- Suspension of Residential Street Paving
- Debt restructuring
- Suspension of Back to Basics and Youth funding
- Closure of 17 Swimming Pools in Winter
- Decrease in Leisure Class Offerings and Elimination of Some Adult Sports Programs
- Reduction in Neighborhood Center Hours; Closure of Ormsby Neighborhood Center
- Reduced Prosecution of Graffiti, Prostitution, Criminal Nuisance
- Deferred Infrastructure Replacement and Maintenance  
Streets, Facilities, Vehicles, Equipment, and Technology
- Reduction in Outside Agencies Funding
- Reduced Neighborhood Mailings and Support

# Fiscal Year 2011 Problem: Structural Deficit

## Reason:

*Deep Economic Recession; Overreliance on Volatile Revenues;  
Deferred Infrastructure Needs; Diminished Reserves*

## Immediate Goals:

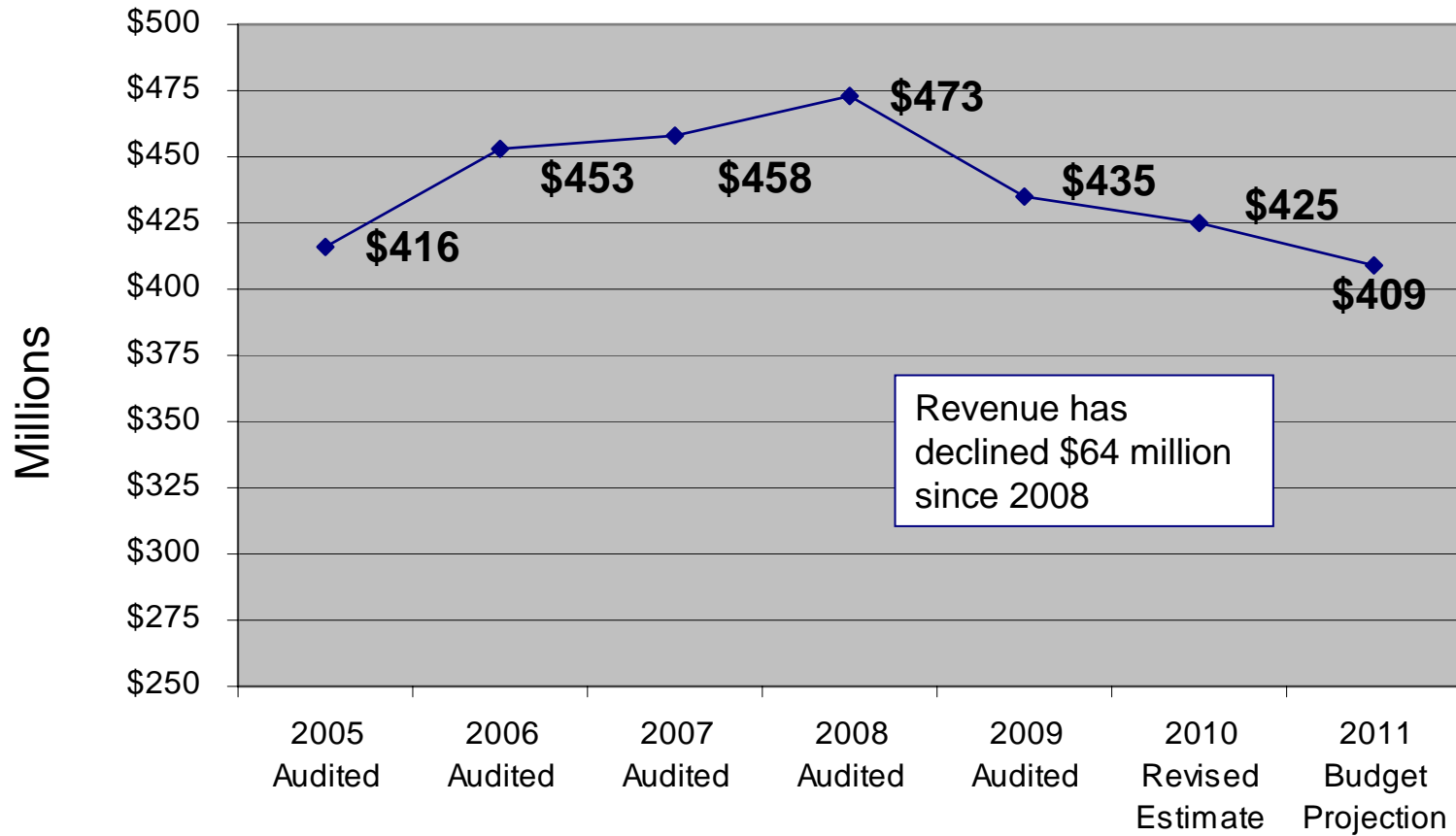
*Solvency, Protection of Bond Ratings,  
and Sustained Core Services Delivery*

## Potential Solution:

*Short Term (FY 2011): One-Time Fixes*

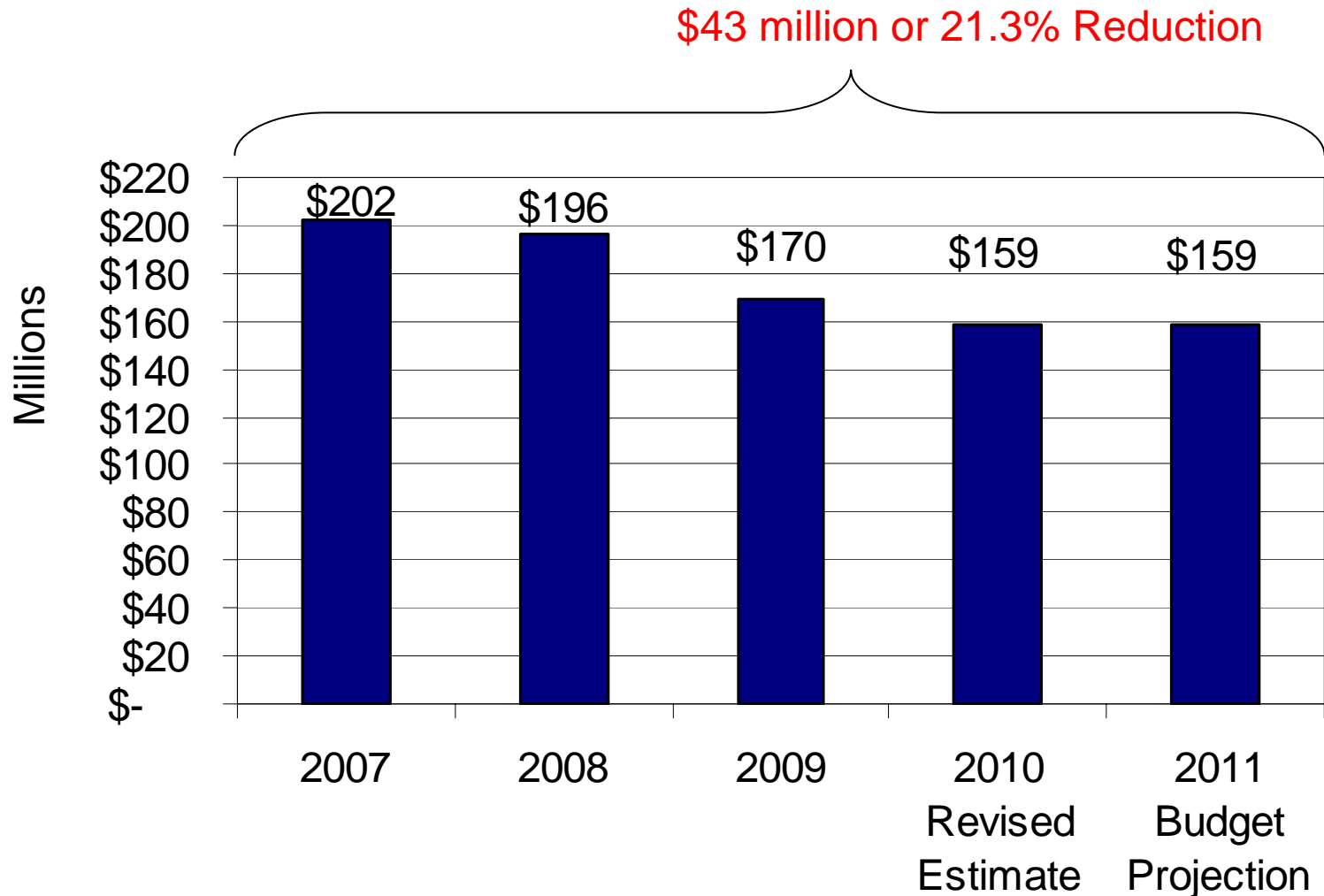
*Long Term (FY 2012 and Beyond):  
Core Service Tax For Strategic Recovery  
Through Sustainable Funding and Responsible  
Management of Revenue Growth*

# General Fund Revenues FYs 2005 – 2011

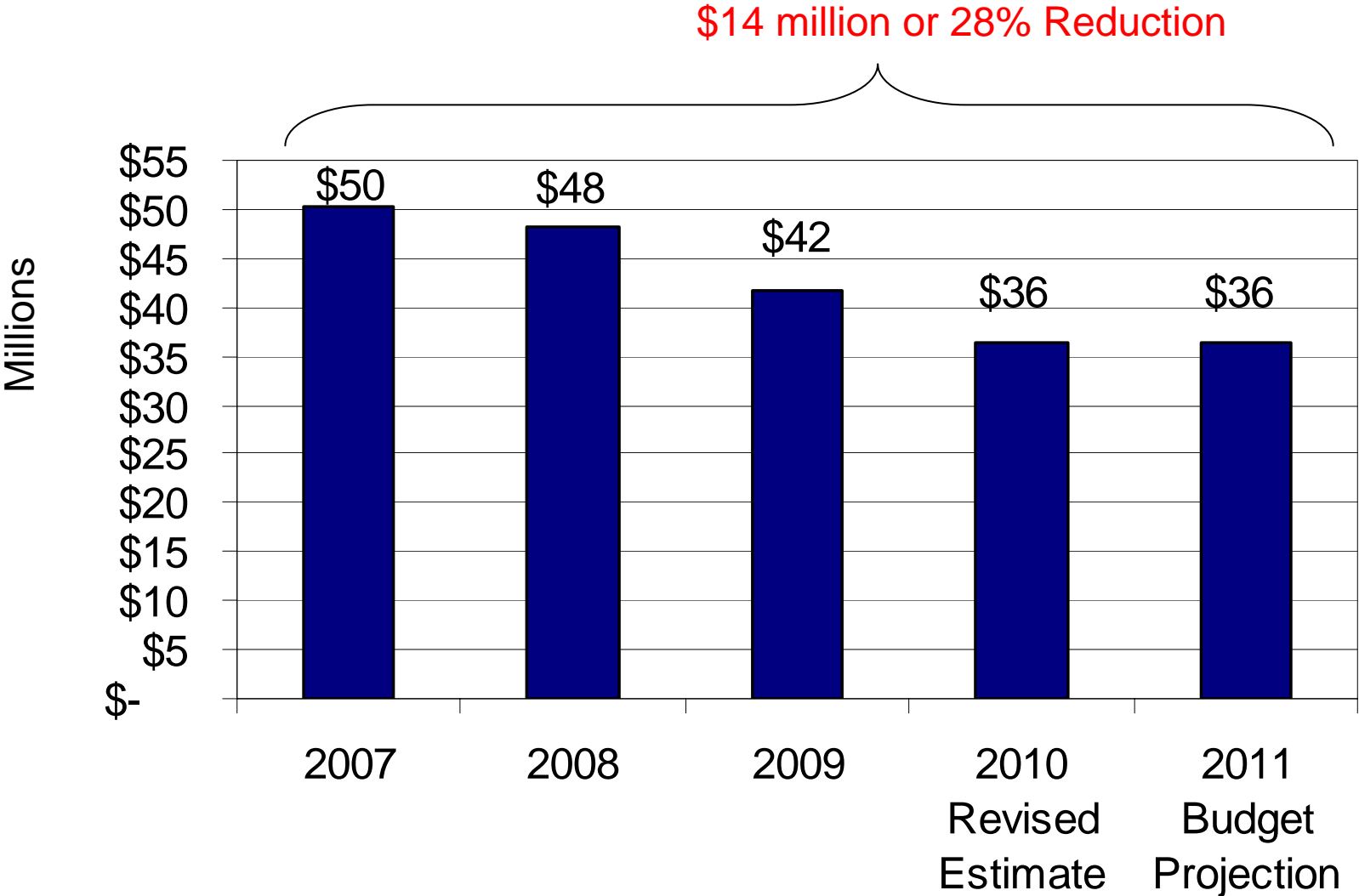


Note: Amounts do not include proceeds from bond or lease purchase transactions

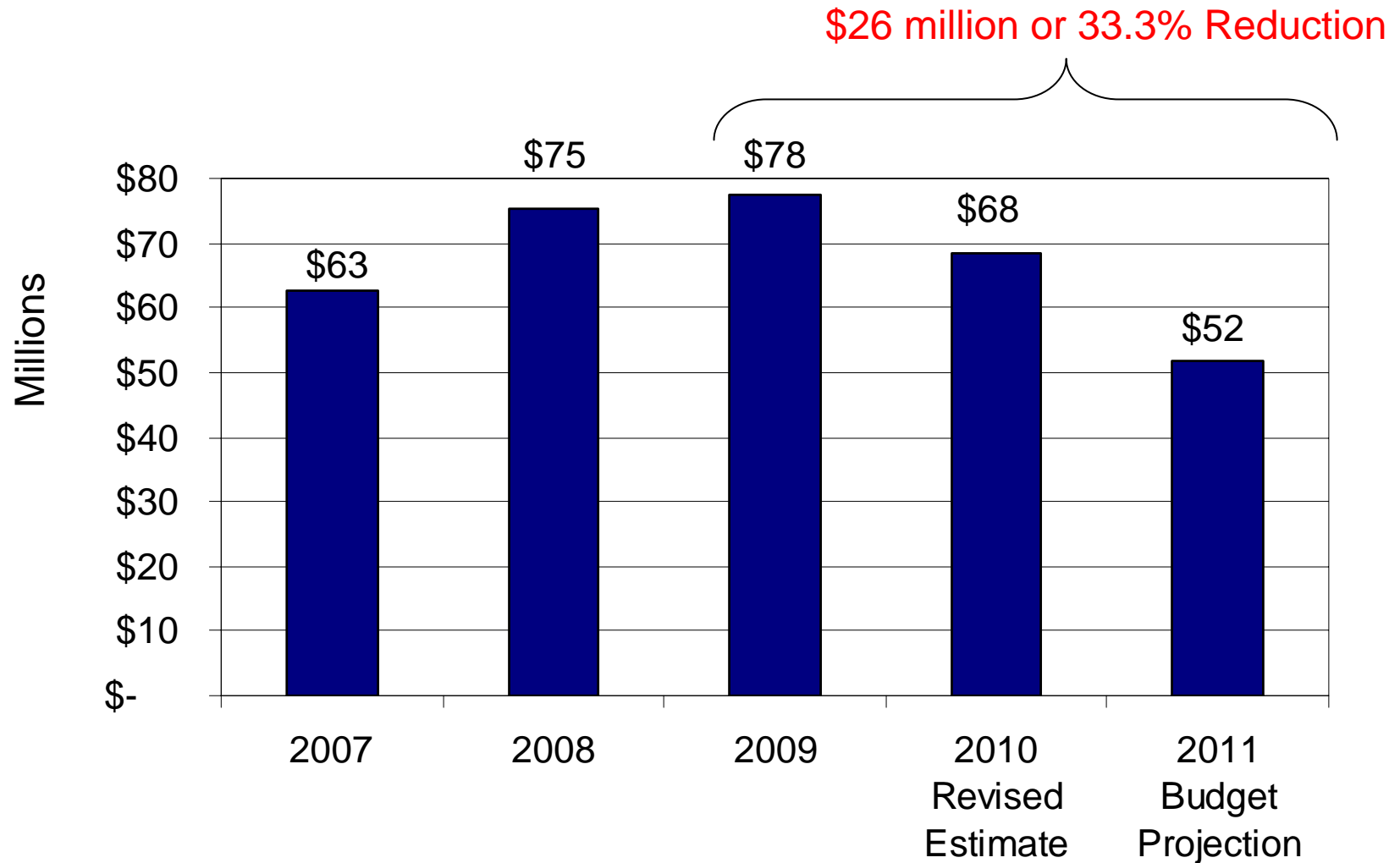
# Local Sales Tax Revenues



# State Shared Sales Tax Revenues



# State Shared Income Tax Revenues



# FY 2011 Structural Deficit Projection as of 2/23/10

Projected Expenditures

442 million

Projected Revenues

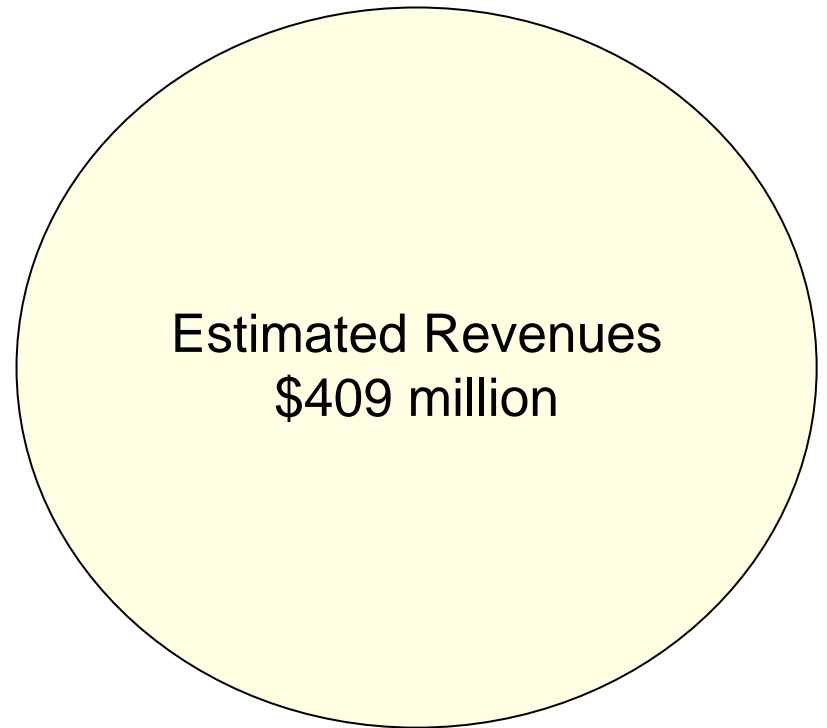
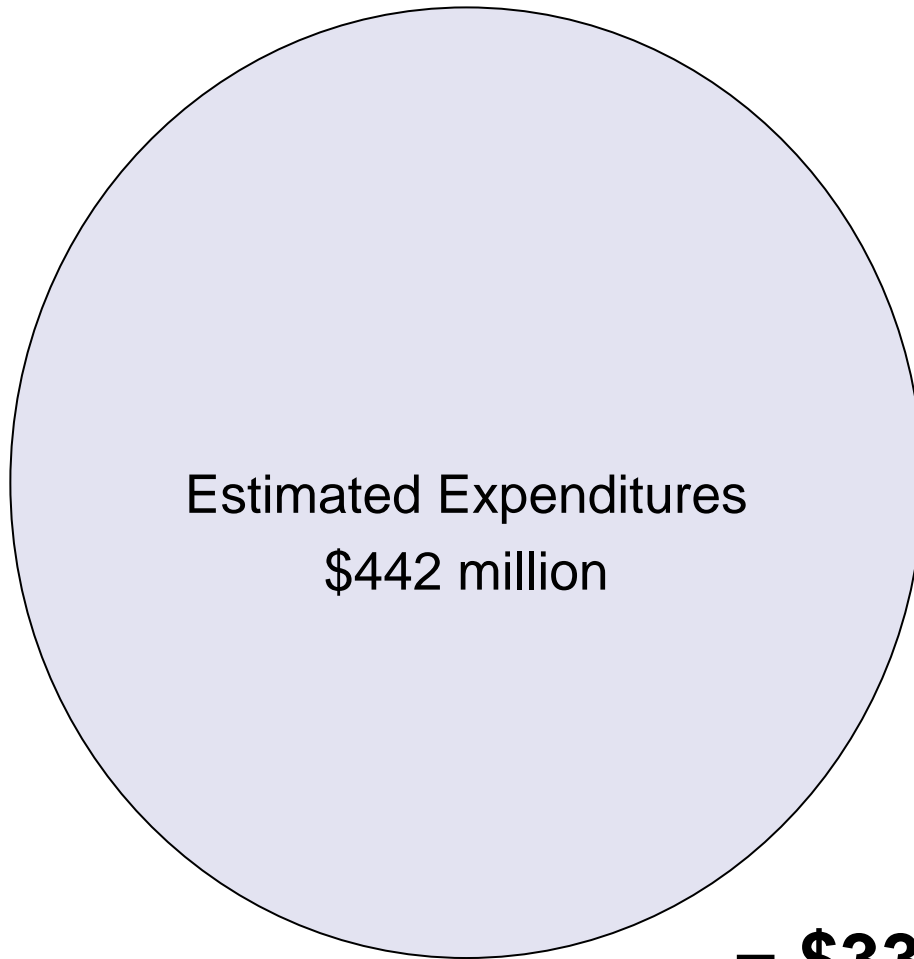
409 million

**Projected Deficit = \$33 million\***

Drivers: Decreased state-shared income tax -\$16.8 million  
Increased employee benefit costs (e.g. pension, health insurance, workers' compensation, unemployment) and public liability costs - \$11.7 million  
Increased debt service costs- \$4 million

\*Note: This does not include \$11.4 million in non-recurring debt restructuring that is part of our ongoing structural deficit and will need to be funded in FY 2012.

# General Fund FY 2011 Estimated Expenditures vs. Revenues



**= \$33 million deficit**

# Strategy for FY 2011 Budget Process

**Budget Options  
Balancing System  
(BOBs)** →

**Strategic Approach to  
Balancing FY 2011  
Budget**

↓  
*Direction given to  
City Manager from  
Mayor and Council*

**Recommended Budget**

# Budget Options Balancing System (BOBS)

- Framework to assist Mayor and Council in navigating through key strategies and proposals for developing the FY 2011 budget
- Provides opportunity for ongoing dialogue (Mayor and Council, community, employees)
- Provides City Manager with guide and focus for preparing the Recommended Budget
- Provides long-range strategic look at future financial recovery strategies

# Questions to Focus On

- What are key service delivery results we should maintain?
- What needs to be done to accomplish this? (e.g., cost savings, revenues)
- How can the City partner to accomplish results?
- What innovations can we implement to improve services or reduce costs?
- What strategic grants can support services?
- How do we develop strategies to cover deferred infrastructure and critical operational support?
- What are our long-term plans to address deficits in the HURF and Risk Management funds?
- How do we build a sustainable foundation for key services by taking a strategic long view?

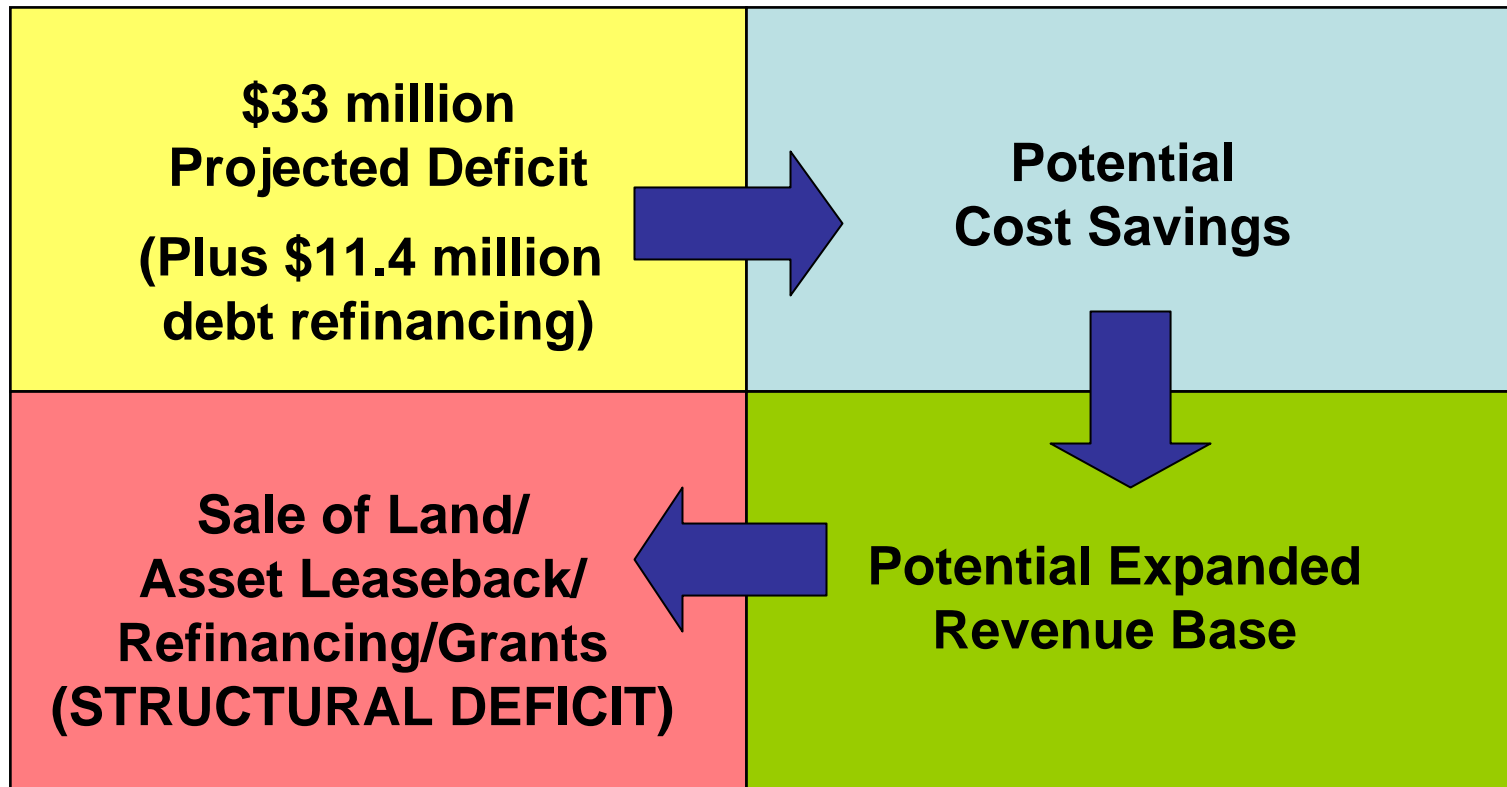
# Community Key Services Dialogues' Results

- Highest priorities: public safety, parks and recreation, streets, and transit
- Efficiency Improvements; smaller response vehicles
- Better communication with businesses and citizens; use of volunteers
- Sharing of facilities and resources; consolidations; outsourcing and partnering
- Downsizing; cut underutilized services
- Increasing and indexing fees and fines
- Dedicated sales or property tax
- Annexation
- Diversify economy; support and attract businesses; infill and reinvestment

# BOBS Components

- Potential Cost Savings Options
- Potential Revenue or Fee Increases Options
- Community Partnering
- Innovation: improved services, reduced costs, revenue generation
- Deferred Infrastructure: critical unmet needs
- Fund Deficits: action plans
- Sale of Land/Asset Leaseback/  
Refinancing/Grants: one-time fixes which will contribute to ongoing structural deficit

# FY 2011 Strategy: Budget Options Balancing System (BOBS)



# Strategic Long-View: Creating a Sustainable Foundation

- **5 Year Financial Model**
  - Address current financial deficits
  - Plan for anticipated needs; be able to meet unanticipated needs
  - Provides for responsible management of future revenue growth
- **November 2010 General Election**
  - Ballot Measures**
    - Core Services Property or Sales Tax Increase
    - Lift Secondary Property Tax Rate from Combined Cap
    - Permanent Expenditure Override

# Potential Agendas: Upcoming Budget Discussions

- March 9
  - Potential Cost Savings BOBS
  - Innovations BOBS
  - Community Partnering: RTA Proposal (separate agenda item)
- March 23
  - Potential Revenue or Fee Increases BOBS
  - Capital Financing Needs: Debt Service
- April 6
  - Updated Revenue Projection
  - Asset Leaseback Options
  - Strategic Long-View: November 2010 Ballot Measure Options