



REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

**TO: THE HONORABLE MAYOR
AND CITY COUNCIL**

DATE: January 22, 2008

SUBJECT: COUNCIL APPROVAL OF 08/09 BUDGET CALENDAR

Report in Brief

In order facilitate the City Council’s timely review and approval of operational and capital budgets prior to the beginning of each fiscal year, the Finance Department prepares a tentative schedule. This schedule must provide adequate time for the City Council to review the budget documents and establish a date for a meeting/retreat for the Council and citizens to review the budget with the City Manager and Senior Staff. Therefore, the following schedule has been developed for the Council’s review and approval:

- Council Special Planning Session.....December 11th
- Council to Receive Preliminary and Capital Budget Package....April 21st
- Council Retreat.....May 3rd (Saturday all day)
- Adopt Preliminary and Capital Budget.....June 17th

Staff recommends that the City Council approve the tentative budget schedule and reserve May 3, 2008 as a Council special meeting to review budget detail with the City Manager and Senior Staff starting at 8:30 a.m. till approximately 4:00PM.

Background

Over the past nine years, the City Council has provided this community with a reasonable balance of City services; while containing costs, increasing revenues, and improving the reserve fund balances.

During the December 11, 2007 Strategic Fiscal Planning Session, Council reviewed the City Manager’s Policy, Leadership and Management Initiatives as well as his Consideration of Guiding Principles for the FY 09 Budget and 10-Year Financial plan. The discussion included the City’s overall financial position, the significant fiscal challenges relating to the failure of the storm drain fee increase resulting in continued annual deficits in storm drain operations, the decline in the housing market and overall economic conditions, the structural deficit in the General Fund, and the implications of the GASB 45 (OPEB funding) liability and deferred maintenance of City facilities.

Consistent with the strategies prepared by the City Manager, and subsequently approved by Council at the December 11th session, Departments have been asked to prepare their 08/09 operating and capital budgets in accordance with the following guiding principles:

- Review existing vacancies approved with the Mid-Year adjustments to determine if the loss of the positions can be absorbed with minimal service level impact;
- Review the Mid-Year adjustments in supplies, services, contracts, training and equipment to determine if those reductions can be absorbed with minimal impact;
- Provide a prioritized list of activities with associated costs that will be discussed with the City Manager and City Council in order to consider alternatives for an additional \$2 million in General Fund expenditure reductions for FY 2008-09 over the Mid-Year adjustments;
- Consider other operating alternatives such as contractual services or community collaborations that would generate significant savings;
- Consider utilizing other revenue sources to fund existing programs and services in order to reduce the impact on the General Fund;
- Consider implementing new or expanded program fees for appropriate programs in order to mitigate reductions;
- Consider reorganization and use of attrition to facilitate staffing reductions in a manner that reduces the impact to employees;
- Collaborate with the Finance Department by meeting all deadlines and reviewing potential cost saving or revenue generating scenarios with Finance staff prior to inclusion within the department's budget submittal.

Additionally, the Finance Department will be responsible for the ensuring the following items are analyzed and budgeted accurately:

- Employee Salaries/Benefits – consistent with Council guidance on MOU amendments/parameters;
- The Health Internal Service Fund will be consistent with the MOU parameters;
- The Vehicle and Information Services Internal Service Funds are subject to their respective replacement policies, but discretionary costs will be limited or reduced;
- The Insurance Internal Service Fund is subject to external factors – such as the yearly YCPARMIA premium costs, workers compensation claims and property and vehicle damage costs;
- All Departments will be asked to comprehensively evaluate their overtime expenditures, and anticipate a reduction of FY 08 requests;
- Administrative overhead and update of cost allocation plan;
- Respective Departments and Finance will work together on determining recommended appropriations for the following preliminary non-discretionary costs:
 - Gas & Oil
 - YCESSA Contract
 - LAFCO

- Booking Fees
- Internal Service Costs (Data Processing, Variable and Fixed Vehicle/Equipment Costs, Insurance Premiums and Claim Reserves)
- Utilities
- Lease / Debt Service Payments
- Contributions to Other Funds
- Property Taxes

Fiscal Impact

Based on analysis of FY 08/09 revenues and expenditures, reductions consistent with those made at mid-year will be required along with additional reductions in order to present a budget that will meet projected future liabilities such as OPEB. In accordance with the City Manager's guidelines, 10-year planning for both operational and capital budgets will be implemented, with a 3-year appropriation for capital budget items.

Public Contact

Posting of the City Council agenda.

Alternative Courses of Action

1. Approve the tentative budget schedule and reserve May 3, 2008 as a Council special meeting to review budget detail with the City Manager and Senior Staff starting at 8:30 a.m. till approximately 4:00PM.
2. Direct staff to implement an alternative budget schedule based on Council discussion.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

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