MEETING DATE: November 9, 2009

AGENDA ITEM: Recommendations from the City Manager/Executive Director Related to the Interim Adopted Budget for Fiscal Year 2009/2010 and Projected Budget for Fiscal Year 2010/2011 and Providing City Council/Agency Direction Thereon

ATTACHMENTS

Culver CITY

INTEROFFICE MEMORANDUM

DATE: 11/04/2009

TO: HONORABLE MAYOR & CITY COUNCILMEMBERS

FROM: Mark Scott, City Manager

SUBJECT: Budget Recommendations

Overview

The City Council will recall that I was directed to return by the November 9 meeting date to recommend any revisions to our Interim budget. We have worked hard to meet that date and have collected many ideas from staff, City Council and community in that regard. In this memo, my purpose is to identify a path forward in establishing a viable City work plan and budget.

As we have discussed frequently, the City's financial status is affected by several factors:

- Challenging economic climate and financial markets.
- Dramatically reduced sales tax with little prospect for immediate recovery (positive benefits from Westfield Culver City notwithstanding).
- Concern over deferred infrastructure maintenance (streets, street lights, parks and recreation centers, etc.).
- Anticipated future increases in CalPERS premiums to pay for generous retirement benefits.
- An almost unfathomable future burden to pay for already-committed retiree medical care.

As the attached chart shows, the City's 5-year General Fund budget projections are daunting. The projections for 2009-10 and 2010-11 can be summarized as follows:

	2009/10	2010/11
Starting Fund Balance	$33,523,741	29,782,803
Revenues	78,392,938	81,275,000
Net Expenditures	84,328,876	87,166,100
Operating Deficit	$ (5,935,938)	(5,891,100)
Less One-Time Offsets	2,195,000	750,000
Net Deficit	(3,740,938)	(5,141,100)
Ending Fund Balance	$29,782,803	24,641,703

(Note: The above summary is before increasing contribution to the City's underfunded OPEB liability.)

If no adjustments were made to the above, the City would spend $8.9 million of our General Fund Balance ("Reserve") during the 2-year period. And, this negative trend is projected to accelerate over the full 5-year period. In fact, by using "one-time offsets," we are actually understating the systemic budget challenge. When one factors in the future OPEB liability and the increasing retirement premium rates, it is clear that the City's budget situation requires a combination of actions. As City Manager, I recommend we address the following action steps:

- Reducing the overall size of our City operations. With 81% of our General Fund expenditures being personnel-related, we have to look at the costs of staffing. We recommend that we focus first, but not exclusively, on overhead functions, rather than point-of-service activity.
- Reducing future personnel costs by using a combination of position reductions (first by attrition and affordable retirement incentives), tiering of compensation programs for future employees; and reducing cost exposure for active employees.
- Reallocating ("reorganizing") remaining staff resources to adjust to lower staffing levels.
- Aggressively seeking operating efficiencies and perhaps new service delivery models.
- Considering new revenue opportunities, recognizing that residents and businesses already share the challenges of the economic downturn.
- Adopting a more aggressive grants and fundraising effort.
- Conducting more explicit strategic financial planning with the City Council, so that long-term needs and priorities are fully recognized in our year-to-year spending decisions.

November 9 Budget Action

By now the City Council is very familiar with the Finance Department's revised numbers:

- Between July 1 and now, the City's revenue projections fell by $2.1 million, almost entirely due to downward projections for Sales Tax.
- Expenditure estimates became more favorable by approximately $600,000 due to lower than expected medical cost increases.
- The projection of normal budget-year salary and other savings was reduced by $1.1 million due to lower than normal employee departures and the tighter original budget.
- The $1,000,000 shown as "TBD personnel reductions" had not been realized.

The result is a $3.6 million gap between the Interim budget and the current situation. Effectively, this would result in a $3.6 million deficit and consequently a reduction of the

General Fund Reserve during 2009/10. There is an even larger gap in the projection for 2010/11 (as indicated above).

After working with staff at all levels over the past 3 months, I have the following thoughts about how we can proceed on November 9:

1. For FY 2009/10 – As I have indicated during the recent public discussions, I conclude that it is unrealistic to close the entire 2009/10 budget gap so late in the year. I think it is hopeful and realistic to obtain a good portion of the personnel savings thru consultation with our bargaining groups.

2. Human Resources recently negotiated a reduced cost of supplemental benefits that should save us approximately $75,000 this fiscal year (and $128,000 each year for the next two years).

   I also think we can expect to save as much as $200,000 in other cost savings this fiscal year. And, my instinct is that some of our Revenue projections will exceed projections.

   Therefore, my "target," reluctantly, would be to end the fiscal year with approximately a $2.5 million deficit, rather than the $3.6 million that is currently projected. I think we could conceivably do better than this, but it will be very difficult for all the reasons we have discussed. Please note that as of June 30, we still anticipate being above the "30% of General Fund" reserve target because our base number (adjusted General Fund revenues) is also getting smaller.

3. For 2010/11 – While it is late for 2009/10, we are on a good schedule to adopt strong measures to offset at least most of the projected deficit in 2010/11. To do so, we will need to pursue all of the 7 "action steps" I referred to at the top of page 2 of this memo. Those action steps are, essentially, the overview of the financial work plan for the next 8 months and beyond.

   More specifically, please see the attached "Work Plan Items for the 2009/10 and 2010/11 Budget Periods." This very long list of possible changes needs to be prioritized, researched, planned, discussed with stakeholders, and implemented. It is a significant task, but obviously it is not simple to close a $5 million budget gap without significant effort.

Recommendations:

On November 9, I recommend the following City Council actions:

1) Receive and file staff's reports concerning the 2009/10 fiscal year and 5-year projections.

2) Defer any action on the Interim FY 2009/10 budget until January, pending conclusion of discussions with employee bargaining groups and other ongoing budget reviews. (There would seem to be little purpose served in adopting a budget revision until we can more accurately project future costs.)
3) Direct staff to bring back a work plan schedule for developing the 2010/11 budget, including work plan items shown on the attached list. (By first meeting in December)
4) Direct staff to bring back a specific recommendation concerning the Capital Improvement Plan, including potential allocation of funds from the General Fund reserve and, possibly, from eligible Transportation/Roadway funding sources.

We look forward to discussing the above with the City Council on November 9.

General Fund Five-Year Forecast

Current Year and Five-Year Forecast

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Beginning **Appropriable** Fund Balance	**33,523,741**	**29,782,803**	**24,641,703**	**18,455,497**	**12,645,197**	**6,157,897**
Total GF Revenues	78,392,938	81,275,000	83,900,000	86,883,000	90,224,000	93,757,000
Total GF Expenditures Before Adjustments	86,840,325	88,945,000	90,157,048	91,424,401	93,859,012	96,376,539
Add'l PERS Increase Projection	-	-	1,767,652	3,160,599	4,825,988	5,226,461
Total Projected Savings*	(2,511,449)	(1,778,900)	(1,838,494)	(1,891,700)	(1,973,700)	(2,032,060)
Net GF Expenditures	84,328,876	87,166,100	90,086,206	92,693,300	96,711,300	99,570,940
Operating Surplus/Deficit	(5,935,938)	(5,891,100)	(6,186,206)	(5,810,300)	(6,487,300)	(5,813,940)
One-time - ERF	1,250,000	750,000				
One-time - Innovation Fund	550,000					
One-time - Metro Spur Sale	395,000					
Total One-time	2,195,000	750,000	-	-	-	-
Gross Surplus/Deficit	**(3,740,938)**	**(5,141,100)**	**(6,186,206)**	**(5,810,300)**	**(6,487,300)**	**(5,813,940)**
Ending **Appropriable** Fund Balance	29,782,803	24,641,703	18,455,497	12,645,197	6,157,897	343,957
	35.32%	28.27%	20.49%	13.64%	6.37%	0.35%
ARC for OPEB	6,137,000	6,137,000	6,137,000	6,137,000	6,137,000	6,137,000
Gross Surplus/Deficit with OPEB	(9,877,938)	(11,278,100)	(12,323,206)	(11,947,300)	(12,624,300)	(11,950,940)

** For fiscal 2009-10, includes $3.05 million in salary savings, $1.095 million in back-fill of vacant positions, and 5% O & M savings.*
Fiscal 2010-11 and subsequent years include a 2% Excess Appropriation amount.

5

DRAFT – Working Document

BUDGET OPPORTUNITIES
(Partial List)

City Manager's Office

- City Hall operating hours
- Evaluate reorganizational opportunities for efficiency
- Contract out the CM Office function (possibly using retirees)
- Drop or expand the lobbyists contracts
- Intergovernmental staff activities – seek efficient service level
- Cable TV – in deregulated environment, seek new ways to produce local programming. Possibly move technical functions to IT.
- Establish film permit and/or special event coordination function
- Centralize public information function
- Centralize service call/complaint process (or reduce tracking as alternative)
- Simplify 72-Hour Report

City Clerk's Office

- Agenda management
    - Consolidate City Council and Agency packets
    - Reduce meetings and thereby packet production costs
    - Develop more concise report formats
    - Electronic packet production
- Evaluate election processes
    - Consider consolidating with County
    - Vote by mail
- Contract for records management/retention, or use volunteers
- Reduce public notification costs (e.g., smaller postcard, fewer newspaper ads, etc.)
- Seek trained volunteer to handle meeting minutes
- Seek trained volunteer to handle proclamations and commendations
- Eliminate most hard copy Municipal Codes; use online version
- Consider reducing time spent on minutes (Council or commissions) given that meetings are taped.

Information Technology

- Renegotiate IT maintenance contracts
- Reduce power usage by turning off computers, raising HVAC temps, etc.
- Reduce the numbers of hand-held devices
- Reduce the amount of outside graphics contract work by departments
- Consider opportunity to contract our services to other agencies in areas of expertise.

Human Resources

- Consider contracting out some payroll functions in the future
- Look at Risk Management reorganizational efficiencies
- Seek employee benefit cost/fee/premium reductions where possible. Look for more aggressive benefit broker services.
- Evaluate alternate EAP service options
- Simplify reclassification and compensation approval processes
- Look at broad-banding compensation chart
- Evaluate two-tier salary and benefit levels for new employees
- Perform more labor relations work in-house
- Consider expanding wellness programs for safety and medical cost control
- Consider viability of selling City merchandise ("City store")

Finance

- Possible contracting out of any of several office functions
- Possible use of retired or part-time Finance managers
- Consider centralized "general services" among Westside cities
- Look for savings by investing in a more modern financial software system
- Contract for portfolio management
- Increase online customer payment options
- More aggressive use of collection agency services for long overdue accounts
- Contract out lockbox payment processing for higher volume payments to reduce staffing needs.
- Consider payroll function options (automated time reporting, mandating direct deposit, contracting out to payroll vendor, self-service for stubs/W-2, etc.)
- Share administrative support across divisions
- Evaluate several Purchasing options
- Staff business license function for seasonal fluctuations
- Evaluate simplifying the Committee on Permits and Licenses function
- Consider hiring a Grants Manager and/or an Internal Auditor

Community Development

- Seek efficiency in administrative support staffing by using "administrative float"
- Consider enhanced Building Dept. reports for fee
- Consider rental of City facilities such as City hall Courtyard, Parcel B (for parking), etc.
- Evaluate methods of code enforcement to seek efficiencies
- Reduce Park Patrol hours
- Consolidate Council, Agency and Commission packet preparation for efficiency
- Consolidate parking management functions
- Maximize revenue options in parking structures, including use of monthly passes and variable rates for time of entry.

Police

- Increase parking enforcement staffing and, likely, resulting revenues
- Audit building maintenance/custodial services to determine best approach to servicing existing building and building systems
- Consider hiring a Grants Manager
- Possible cut of Juvenile Diversion program to one class per year, or seek grants
- School Resources – possible cut of one position. (Grant funding expired)
- Crossing Guards – seek cost sharing or turn over to CCUSD.
- Forensics – seek inter-agency programs to share cost
- Custody – further evaluate options to reduce or share cost
- Meter Collection/Money Handling – look for efficiencies between Police, Public Works and Transportation
- Animal Services – Seek revenue options thru use of Veterinary offices for licensing. Evaluate service delivery options during 2-year pilot program.
- Communications/Dispatch – Evaluate inter-agency consolidation
- Alarm Permits – Charge more aggressively on repetitive false alarms
- Film Permits – Consolidate with other City Hall functions.

Fire Services

- Possible assessment district or parcel tax to add additional paramedic unit and/or add staffing to engine companies. Additional service with possible savings in ISO rating, in overtime, and in liability. Possible to add coverage for operating cost within the measure.
- Discontinue Maple Counseling Center annual contract
- Streamline workers compensation administration to allow/incentivize both safety and earlier return to work.
- Investigate the Ambulance Operator (AO) program for possible savings and ISO rating improvement
- Seek additional trained volunteer support on certain functions
- Increase number of CNG vehicles
- Consider providing services to other agencies, for fee, where practical
- Seek higher cost recovery for certain EMS, fire prevention, vehicle accident situations

Parks, Recreation & Community Services

- Reduce hours of operation at certain facilities (e.g., Mondays at Vets Auditorium and/or City Plunge, winters at City Plunge, etc.)
- Increase eligibility age for "new" seniors from 50 to a higher age.
- Develop a Junior Ranger program for ages 14-17, to combine training, education and grounds maintenance.
- Expand the contracting out of certain repetitive functions, including mowing and edging.
- Possible use of "quasi-coops" for certain afterschool, sports or day camp programs, with higher fees charged to those unable to provide in-kind services.
- Consider options to janitorial contract at parks and recreation centers. Consider rebuilding public restrooms for better health, safety and maintenance burden.
- Evaluate tree trimming options to lengthen life of trees and reduce maintenance costs/liability

Public Works

- Evaluate wide variety of possible outsourcing opportunities for PW functions.
- Seek to consolidate assessment districts to reduce overhead
- Seek to consolidate parking permit districts to simply administration and resident convenience. Charge fees to cover costs.
- Evaluate commercial parking permits, for fee, where practical
- Reduce banner installation workload and/or charge fees to reflect costs
- Seek funding, fundraising, sponsorships associated with Ballona Creek bike path and other maintenance/improvements
- Evaluate interfund charges for CIP planning and management, to ensure adequate charge-backs
- Consolidate or contract out certain plan checks or discretionary reviews
- Consider less than 7-day Graffiti removal staffing
- Simplify Outdoor Dining permit process (place in one single department, lengthen permit timeframe, etc.)
- Possibly contract parking meter maintenance
- Consider franchising commercial refuse or recycling services
- Develop long-term strategy for aging street light system, including possible citywide assessment or parcel tax. Would be opportunity to upgrade and make more cost efficient.
- Transfer station – Study future options
- Transportation of refuse – could be done by contract

Transportation

- Establish a less costly Coach Cleaner job classification
- Consolidate automotive purchasing into Transportation
- Consider sale of CNG to public
- Use more "fleet pooling" for vehicles with low usage
- In-source certain preventive maintenance and facility janitorial services
- Look into apprenticeships for vehicle maintenance
- Consider efficiencies in scheduling vehicle maintenance shifts
- Evaluate bus stop maintenance program for possible efficiencies
- Consider contracting our CNG expertise to other agencies for fee
- Evaluate possible installation of solar power option on the Transportation buildings
- Evaluate viability of lower-producing lines (bus routes)
- Evaluate runs to reduce overtime
- Operate senior shuttle for PRCS
- Attendance incentives for bus operators
- Wellness facility improvements for employee health and safety
- Consolidate money room operation with other department or outside contractor
- Evaluate Day Pass option
- Sell Culver CityBus merchandise