



CITY COUNCIL STUDY SESSION AGENDA REPORT

MEETING DATE: JUNE 17, 2011

ITEM NUMBER: 3

SUBJECT: CEO RECOMMENDED CHANGES TO THE FY 11-12 PRELIMINARY BUDGET

DATE: JUNE 10, 2011

FROM: OFFICE OF CEO *TH*

PRESENTATION BY: THOMAS R. HATCH, CEO

FOR FURTHER INFORMATION CONTACT: THOMAS R. HATCH @ (714) 754-5328

The preliminary budget for FY 2011-2012 includes the entire budget allocations including the changes already made during the departmental budget hearings with the CEO. These changes that occurred at staff level budget hearings included expenditure and revenue changes reducing the overall budget shortfall from approximately \$5 million down to approximately \$3.3 million (\$1.7 million in changes). Again, all of these changes are already included in the budget detail presented in the preliminary budget.

On May 31, 2011, a memo was provided to the City Council, City staff and members of the community outlining key budget changes that represent additional changes of approximately \$2.4 million in savings that further help balance the budget. The prior memo included the details and justifications for these recommended changes but a summary list is as follows:

- Reduce amount charged to the General Fund for Internal Rent – Replacement Charges - \$1.9 million;
- Reduce amount allocated for a General Plan Update - \$200,000;
- Reduce Information Technology budget for Computer Aided Dispatch (CAD) server - \$283,000; and
- Reduce Recreation budget for reduction in Aquatics programming - \$39,305 & reduce revenue of approximately \$10,000.

The total of these recommended above is \$2.4 million. With the changes presented above, the CEO's recommended budget is still approximately \$900,000 short of a balanced budget.

Additional CEO Recommended Budget Changes

Eliminate the Telecommunication Manager position. As part of the reorganization plan for the Police Department and after internal discussions with several department heads, it was determined that it would be best and most efficient for our organization to relocate the management of the telecommunications (911 Dispatch) operations to the

Police Department. To best integrate this change, it was determined that a sworn Police Lieutenant position would be best suited to manage the operations. This change will result in the retention of a Lieutenant position and the elimination of the Telecommunications Manager position. The estimated annual savings from this change is \$174,356. This savings was included in the police reorganization plan.

Reduce Full-time Recreation Specialist position (Aquatics) to Part-time. As part of the FY 10-11 budget deliberations, closing the City pool during the months of October through March was proposed to reduce costs. By closing the City pool for a period time, it is recommended that the current full time Recreation Specialist position be reduced to a part time Recreation Specialist position, generating a net savings of \$29,305. This item was included in the CEO's Budget Memo dated May 31, 2011 and listed above.

As part of the process for the development of the FY 2010-2011 Budget, departments made recommend cuts at 5%, 10% and 15% levels. A few recommended reductions were considered by the City Council last year but were not implemented late in the budget discussions. Three of these recommendations are being presented again for City Council consideration. They include:

Eliminate an Animal Control Officer position. The City presently has three (3) Animal Control Officers (ACO) and is proposing to eliminate one of those positions. Last year the City Council authorized an increase in the dog licensing fees to generate additional funding to retain a third ACO position. While there is a nexus or connection between dog licensing fees and the level of service for animal control, currently only 22% of the costs for the animal control operations are covered by the dog license fees. The remaining 78% of the operations are funded by the General Fund. The General Fund is currently facing shortfalls and therefore, one of the three ACO positions is again recommended for elimination. The remaining two positions will be changed from a four day a week-ten hour per day schedule back to a traditional five day a week-eight hour per day schedule (pending the meet and confer process) to enhance service coverage. This will allow coverage with two ACO's for three of the seven days and still one ACO for the other four days of a seven day work week. The estimated annual savings from this reduction is \$98,007. Also, the City currently has 3 Animal Control vehicles. Staff recommends eliminating one of these vehicles, and thereby reducing the maintenance required and the overall size of the City's fleet.

Eliminate the Emergency Medical Services Coordinator position. The civilian Emergency Medical Services Coordinator position is responsible for administration, training and quality control for the City Emergency Medical Services through the Fire Department. The position is solely dedicated to the provision of emergency medical care services. Last year the Fire Department recommended the elimination of this position as part of the departmental reductions. The position was retained after the creation of a new fee for Medicare/Insurance reimbursement and this has helped General Fund revenues. The Interim Fire Chief will review the workload and determine the best method to distribute the work to other Department personnel and ensure the essential services continue to be completed. The estimated annual savings from this change is \$140,218.

The total savings from the elimination of these two additional full-time positions is \$238,225.

In addition, there is a need to add expenditure items to the preliminary budget. These included the following additional funding issues:

- Increase City Attorney Department budget for legal expenses. In February, staff estimated the FY 11-12 City Attorney budget for both legal and consulting expenses to be \$603,000. During budget hearing meetings in March and April, and with recent increased monthly workload and billing, staff included an additional \$100,000 for a Preliminary Budget of \$703,000. Given recent monthly billing averaging over \$100,000 per month, staff is recommending an additional \$300,000 to the City Attorney final proposed budget.
- Increase Finance Department budget for payroll audit. The City Council has requested that a payroll audit be conducted. Requests for Proposals (RFP) were sent out and three proposals have been received. A report will be specifically coming to the City Council for review and decision on whether to conduct this audit in July. In anticipation of this work, staff is recommending an additional \$37,000 to the Finance Department final proposed budget.
- Increase Finance Department budget for business license tax study and recommendations. The City Council has expressed a desire to review the City's current business license tax and review possible changes. Staff recommends an expert be hired to study and review the City's Business License Tax process and fee structure and provide recommendations to include efficiencies that can be created in processing and identifying unlicensed businesses, and propose a new structure for the City Council to consider and determine if a revised Business License Tax structure should be placed on the November 2012 ballot. The final approval of the hiring of the consultant will be considered by the City Council in the first quarter of the new fiscal year. In anticipation of this work, staff is recommending an additional \$40,000 to the Finance Department final proposed budget.
- Increase City Chief Executive Officer's (CEO) budget for economic development. The City Council has expressed interest in hiring an economic development consultant to assist the City in proactively developing the business environment and creating local jobs. Staff will prepare an RFP in the first quarter of the new fiscal year to begin the process of finding a qualified consultant. Staff recommends an additional \$100,000 to the CEO's final proposed budget.

Total cost increase for the above activities is \$477,000

FY 2011-2012 GENERAL FUND PROPOSED BUDGET SUMMARY

<u>Preliminary Estimated Revenues</u>	<u>\$ 94,578,394</u>
<u>Preliminary Budgeted Expenditures</u>	<u>(97,871,613)</u>
Preliminary Budget Deficit	(3,293,219)
<u>Initial CEO Recommended Reductions – May 31</u>	<u>2,415,841</u>
<u>Budget Gap as of May 31, 2011</u>	<u>(877,378)</u>
<u>Final CEO Recommended Reductions:</u>	
<u>Savings from Police Department Reorganization</u>	<u>1,357,725</u>
<u>Savings from PD Reorg.- Correction: One Lieutenant position omitted from cost</u>	<u>(127,845)</u>
<u>Savings from eliminated positions above</u>	<u>238,225</u>
<u>Additional cost recommended above</u>	<u>(477,000)</u>
<u>General Fund Contingency in FY 2011-2012 Budget</u>	<u>(50,000)</u>
<u>Replenishment of General Fund Reserves</u>	<u>(63,727)</u>
Total Proposed General Fund Budget Deficit	<u>\$ 0</u>

As shown, including the CEO's final recommended reductions, the City Council will be presented with a proposed balanced budget.