
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: November 10, 2008

IBA Report Number: 08-114

Budget and Finance Committee Date: November 12, 2008

Item Number: 1

PRELIMINARY IBA REVIEW OF MAYOR'S PROPOSED FY 2009 BUDGET ADJUSTMENTS

This report is provided as background for the November 12th hearing on the Mayor's Proposed Budget Adjustments for FY 2009. The current year adjustments are necessary to close an estimated \$31.1 million budget shortfall. Many of the budget changes are recommended to continue through FY 2010 to mitigate a projected deficit for that year as well.

Our preliminary review of the Mayor's proposal has raised numerous issues that should be addressed as well as identified significant information needs that require responses before decisions are made. Last year we issued the City's first report making the case that the City faces a structural budget deficit which needs to be aggressively addressed. As evidenced in that report, the IBA supports timely, long-term actions that deal not just with cyclical economic declines but with structural budget problems as well.

Our office also believes in the public process and the City Council having the ability to ask questions, raise issues, discuss options, listen to the public, request follow-up information from the Mayor and have the benefit of IBA review and analysis prior to taking action. The Council should not feel compelled to make decisions on Wednesday or approve the proposed resolution. The Mayor's budget reduction proposals assume an implementation date of January 1, 2009. Taking a week or two, to publicly deliberate the serious issues before you, will have no negative impact on the assumed savings and will serve the community well over the long-term.

As a reminder, per the City Charter, an amendment to the Appropriation Ordinance requires two public hearings. Two additional Council meetings, at a minimum, will be necessary to implement.

In the following pages, we offer our comments, questions, concerns, and options:

PRELIMINARY OVERVIEW OF FIRST QUARTER REPORT

General Fund Revenue:

- Year-to-date receipts for major revenues are showing weak or negative growth across the board.
- Assumptions and year-end projections are based on only a few months of actual revenue receipts.
- Projected growth rates for the remainder of the fiscal year have been revised downward, in some cases to reflect anticipated negative growth.
- Economic outlook appears grim, with weak consumer spending, declining property values and rising unemployment.
- Further impacts due to State budget deficit remain possible.

General Fund Expenditures:

- As discussed in our previous report, savings to the General Fund should already have been anticipated in the following areas, totaling \$14.6 million, mitigating revenue shortfalls:
 - \$3.6 million deferred maintenance bond payments.
 - \$7.3 million leverage of employee offset savings.
 - \$3.7 million general fund reserve contribution.
- The First Quarter Report reflects savings through Period 3 at \$15.7 million, increasing to only \$17.0 million by year-end. Given that a hiring freeze has been in place for several months, a higher level of projected savings was expected.
- Expenditures in excess of budget are projected in the fringe benefits, data processing and energy/utility categories.
- However, department-submitted projections for fringe benefits are not consistent with the information provided by Financial Management, and will require additional research and analysis.
- Positive impacts to fringe benefits related to the MEA grievance settlement are reportedly included.
- Local 127 Settlement is shown as \$1.0 million pick-up.
- Mayor reported to Council the General Fund impact would be \$3.0 million of a total \$4.4 million potential impact.
- Discrepancy should be explained.

Total revenue deficit of \$48.1 million is mitigated by year end projected savings in expenditures of \$17.0 million. This leaves a gap of \$31.1 million.

PRELIMINARY OVERVIEW OF PROPOSED BUDGET ADJUSTMENTS

The following chart provides a reconciliation of the Budget Reduction Plan showing an excess of \$3.8 million if all reductions are taken.

Revenue	
Budget	1,192,608,391
Major Revenue Shortfall	(44,891,094)
Department Revenue Shortfall	(3,198,391)
Proposed Corrective Actions	<u>4,087,164</u>
Year-End GF Revenue Projection	1,148,606,070
Expenditure	
Budget	1,192,608,391
YE Projected Surplus	(17,018,982)
Proposed Corrective Actions	<u>(30,823,550)</u>
Year-End GF Expenditure Projection	1,144,765,859
Projected Year-End General Fund Surplus	3,840,211

- FY 2009 savings projections are based on a January 1, 2009 effective date.
- Attachment 1 provides a list by department of the proposed reductions as a percentage of each department's total budget.
- Attachment 2 provides a list of potential reductions that were submitted by departments but not recommended by the Mayor.
- The Mayor originally requested all departments to submit proposed reductions equal to 10% of their budget which would have generated in excess of \$100 million in options. Fewer options were submitted than requested and other options submitted were not utilized or determined to not be feasible. This limited the number and type of options available for Council consideration.
- We understand that of the 217 position reductions associated with the "Corrective Actions," 102 are currently vacant. We have requested a list of the position reductions indicating which ones are filled versus currently vacant.

Service Level Impacts:

- Minimal information has been provided in the Mayor's Report ("Report") on service level impacts resulting from the proposed reductions.
- This information is critical to the decision-making process and should be made available as soon as possible.
- This could be accomplished by providing revised Performance Measure information as detailed in the budget document.
- We have requested this information and understand that a memo is forthcoming.
- In the future, this information should be included in the original reports to Council or provided one week in advance of the matter being heard.

Impacts on FY 2010:

- While some reductions are permanent, other reductions are proposed for FY 2009 only and others are considered "temporary" but we have been told that certain items will be carried through FY 2010.

- It is imperative that the Council and the community have a full understanding of what budget decisions are being made for FY 2010 as well as the current year.
- No information is provided in the report to inform the Council or the public on these assumptions.
- This information is vital to understanding to what extent we are addressing the FY 2010 deficit as well as to clarify community expectations.
- This clarification is particularly important with the pending transition between existing Council members and Council members-elect who will be decision-makers in the FY 2010 budget process.

Council Review Time:

- On Wednesday, the public, Council and the IBA will have had six days to review a First Quarter Report and a proposal for \$30.8 million in proposed expenditure reductions that will have significant impacts on the community.
- Unlike the annual budget process, no time was built into this process to allow the IBA to turn around a comprehensive review in time for the November 12th meeting.
- In the future, any mid-year budget adjustment process should include sufficient time for IBA analysis and adequate review time for the Council and the public.
- The Mayor is also scheduled to present on Wednesday his “Update of the Five Year Outlook FY 2010-2014.” Materials are not yet available. We understand the information will be forthcoming. As with the impact on FY 2010 referenced above, this information is critical to decision-making.
- As in the past, we will be independently analyzing the Five Year Outlook and will present a report to the Budget and Finance Committee in January.

Response to “FY 2009 Budget Status and Plan of Action” (IBA Report 08-107):

- On October 15th, the Budget and Finance Committee requested the Mayor to consider the proposals contained in this report and provide a response to the Committee.
- Some of the proposals, recommended as short term fixes, such as freezing overtime expenditures, have been incorporated into departmental reductions.
- Other proposals such as “implementing a mandatory furlough” which has the potential to generate significant savings have not been addressed or included in the Mayor’s proposal. We understand that a memo will be forthcoming.
- We also recommended that the Committee request the Mayor to present to the Council program reduction options in excess of the deficit to allow the Council to provide policy direction and program prioritization. This has not been provided.
- In our verbal remarks at Committee that day, we also requested that FY 2010 information be provided as discussed earlier.

Inconsistent and Unclear Information:

- The Mayor’s November 5th Press Release indicates that the closure of seven branch libraries, nine recreation centers and one gym are temporary. There is no

discussion or reference to this in the docket Report provided from Financial Management or description as to what is meant by temporary.

- The Mayor's Press Release announced the closure of six Customer Service Centers throughout the City. There is no discussion of this in the docket Report.
- A memorandum from the COO issued on Monday described the proposed corrective actions in the TOT Fund, most prominently an increase in the redevelopment loan repayment from \$7.5 million to \$11.3 million, which would pay the full annual debt service for the PETCO Park Bonds. These details were not discussed in the docket report.

Redevelopment Agency Loan Repayment:

- Mayor identified a \$5.0 million loan repayment from the Centre City redevelopment project area as part of the FY 2009 Proposed Budget.
- The IBA recommended and Council approved increasing this repayment to \$7.5 million.
- The Budget and Finance Committee requested information be provided by November 5th on the status of the actions that need to be taken to effectuate this in the current year. This information is outstanding.
- On November 10th, the Chief Financial Officer issued an addendum to their Budget Amendment Report, to propose that this repayment be further increased to \$11.3 million in order to pay the full annual debt service on the Petco Park bonds.
- There is no discussion in either report on the project impacts to the redevelopment project area.
- Also, in addition to this, recent state actions will require redevelopment agencies to shift more property taxes to schools. Discussions on the impact from this action are outstanding.

Use of One-Time/Temporary Solutions:

- Of the proposed reductions, we have identified \$17.9 million of "one-time" or "temporary" solutions that will address the current year budget shortfall and the FY 2010 deficit but will not address the structural deficit long-term.
- The following chart presents a list of those items that are "one-time" or have been identified by the Mayor as "temporary."

Summary of One-Time or Temporary Corrective Actions (in millions)	
Temporary Library Closures	\$1.7
Temporary Closure of Recreation Centers and Gym	\$0.8
Rolling Service Reductions of Fire Truck/Engine	\$1.6
Reduction in Academies for Police and Fire	\$2.2
Increased Vacancy Savings	\$3.8
Overtime Savings	\$1.0
Reductions in Supplies and Services	\$3.1
Reductions in Equipment Outlay	\$0.5
Reductions in Information Technology	\$0.4
Reduction in grant matches (P&R, Library)	\$1.4
Utilizing prior year encumbrances (Storm Water)	\$1.4
Total One-Time or Temporary Actions	\$17.9

New Facilities Moving Forward:

- In the past, our office has raised the policy issue of moving forward with new facilities at the same time that existing facilities are being cut or eliminated entirely.
- This approach may be very appropriate to achieve geographic distribution of services or to eliminate facilities with low usage. However, this policy issue is worthy of discussion and the Council should be aware of this dynamic.
- We have identified that, in the current year, operating costs associated with new facility openings have added \$1.0 million and nine new positions to the Park and Recreation budget. For FY 2010, new facilities scheduled to open will require 17 new positions at a cost of \$2.0 million in new operating costs. (See Attachment 3)
- At the same time, Park and Recreation cuts of \$3.0 million are currently being proposed in FY 2009.
- These costs should be discussed to determine if new facilities are a higher priority than existing programs being recommended for elimination.

FY 2009 Revised Budget Assumes No Use of Appropriated Reserves:

- Appropriated Reserve is funded with \$10 million in FY 2009, intended to be used for any unanticipated, unbudgeted expenses that arise during the year
- However, this funding is a component of the total reserves, and is counted toward achieving the City's goal of maintaining Reserves at 6.5% of the General Fund in FY 2009.
- Therefore, any use of funding from the Appropriated Reserve in this fiscal year would preclude the maintenance of the Reserves at 6.5%.
- The Mayor's projections and proposal assumes no use of the Appropriated Reserve in FY 2009.

Local 127 Settlement:

- Local 127 Settlement is shown as \$1.0 million pick-up.
- Mayor reported to Council the General Fund impact would be \$3.0 million of a total \$4.4 million potential impact.
- Discrepancy should be explained.

SIGNIFICANT DEPARTMENT ISSUES**Library:**

- The Mayor's Press Release stated that seven libraries have been slated for temporary closure for an estimated savings of \$1.7 million in FY 2009. The Report does not address the "temporary" issue or provide a plan regarding future re-opening. Financial Management staff has indicated that closure has been assumed through at least FY 2010 "unless additional funding becomes available."
- Branch libraries proposed for closure are: University Community; Ocean Beach; University Heights; Mountain View/Beckwourth; Carmel Mountain Ranch; Clairemont; and Allied Gardens/Benjamin.
- Libraries proposed for closure were based on "lower usage and circulation as well as their close proximity to newer, larger libraries," but no data is provided. Council should request circulation and usage numbers for all branch libraries.
- Costs resulting from the "ramping down" and "ramping up" of services should be considered as well as ongoing maintenance costs associated with temporary closures.
- Consequences of potential blight and public safety issues with temporarily shuttered facilities should also be considered.
- Other alternatives to consider include:
 - Reducing hours across the board at all branch libraries, which may provide the opportunity to standardize hours throughout the community for enhanced convenience to the public.
 - Preliminary IBA estimates based on FY08 year-end actuals indicate that the proposed reduction of \$1,705,008 may be achieved by reducing hours at all branches by 7.5 hours each week for a six month period.
 - The savings could also be achieved by reducing all branch library budgets by a proportional percentage, relative to the branch's size and current budget.
 - A \$1.7 million reduction equates to a 10% across-the board reduction to the total Branch Library FY09 Budget of \$17,720,420. A \$1.7 million reduction proportionally shared among all branches could result in a sliding scale of cuts ranging from \$26,000 for Mission Hills to \$88,000 to Rancho Bernardo.
 - Permanent closure could also be considered which would mitigate some of the factors discussed above regarding temporary closures.

Park and Recreation:

- Proposed reductions affect most areas of department operations. Effort made to impact the fewest number of citizens/participants. Reductions close to \$3.0 million out of \$88.3 million budget, or 3.4%.
- Most notably, reductions include closure of nine recreation centers and one gym, and reduced hours at eleven centers and two gyms (\$962,135).
- Closures described as temporary, though are expected to continue through Fiscal Year 2010. There is no discussion of what is meant by “temporary” and what will trigger their reopening. The identification of additional funding is needed to allow for reopening.
- The Reservoir Recreation BPR is expected to come forward for Council approval shortly; recommendations include fee increases and service level changes resulting in a positive net impact to the General Fund of \$935,000.
- The Park Maintenance BPR should also have been completed, and may have additional cost saving measures.
- Consideration should be given to expedite the approval and implementation of the park-related BPRs as an alternative to park and recreation reductions.

Police:

- The Police Department is proposing actions that could impact improvements the City has achieved in the Department’s Officer Retention efforts. These include reducing the size of future academies and keeping administrative positions vacant which may require officers to spend more time in the office performing these functions and less time in the field.
- The Council should be apprised of the projected impact on sworn officer staffing for FY 2011 based on academy cutbacks combined with anticipated retirements.

Fire Rescue:

- Impact from suspension of Emergency Medical Services (EMS) Request for Proposal (RFP) process – The Fire-Rescue Department identified proposed savings from transferring the staffing of La Jolla Fire Station 9 from the City to the new contractor; however with the suspension of the RFP it is unclear if these savings will be achieved.

Customer Services:

- The Mayor’s proposal calls for the elimination of the Customer Service Department, which operated six Customer Service Centers.
- Fifteen Customer Service Centers were opened between 1996 and 2000, with nine being closed in recent years.
- The six remaining centers: Clairemont, Navajo, Peninsula, Rancho Bernardo, San Ysidro and Scripps Ranch, would now be closed.
- In FY 2008, 114,027 customer transactions were completed including 1,892 Business Tax Certificates and 54,921 water and sewer bill payments.
- Net of revenue and cost savings associated with eliminating the six service centers is estimated to be approximately \$212,000.

Ethics and Integrity:

- The Office of Ethics & Integrity has been proposed to be eliminated. The Labor Relations Director will oversee the ADA Program and Human Relations Commission; and the Administration Director will oversee the Citizens' Review Board. These programs could suffer some service impacts, particularly the ADA Program due to the loss of the construction estimator.
- These impacts are not explained, however, and service level information should be provided.
- The Ethics Activity is eliminated entirely, with the loss of its 3.00 staff. It is unclear whether ethics programming and City-wide training will continue under the auspices of another City program.
- In addition, 1.00 staff member for the Diversity Commitment is not eliminated, but has not been transferred to another City program. This should be clarified.

City Attorney and Other Non-Mayoral Departments:

- The Report indicates that the Office of the City Attorney is projected to exceed its budget by \$1.8 million. This is primarily due to an increased vacancy factor, and no actual reductions taken during the budget process.
- No corrective actions have been submitted, and the Mayor recommends that the City Attorney take necessary steps to ensure expenditures remain within budgeted levels.
- Year-end projections for the General Fund assume that measures will be taken and will be successful, which may be optimistic.
- With a new City Attorney taking office next month, consideration should be given to allow him an opportunity to re-establish the office, and to not unfairly require him to correct budgetary problems that preceded him, with only six months remaining in the fiscal year.
- The report and requested appropriations adjustment includes reductions in addition, but not yet identified, to those submitted by other non-mayoral departments, including City Clerk and various City Council Offices.

Environmental Services:

- \$2.16 million transfer of Sycamore Canyon Landfill facility franchise fee from Recycling Fund to General Fund is proposed to be an ongoing solution. This will negatively impact the financial health of the Recycling Fund. It is currently projected that the Fund will go negative in FY 2010.
- Preferential disposal rates for City tonnage, projected to save \$360,000 in FY 2009, is proposed to be an ongoing solution. This will negatively impact the financial health of the Refuse Disposal Fund.
- Other potential solutions that have not been recommended by the department include increasing the refuse hauler franchise fee, assessing a franchise fee on Navy tonnage, and eliminating free small business refuse collection. These options would have limited impact in FY 2009, but may provide significant benefit in FY 2010 if implemented in the current year.

Storm Water Department:

- 10.00 FTEs are proposed to be eliminated, resulting in approximately \$970,000 in personnel expense savings. These positions are all currently vacant, and the savings is reflected in the year-end projections.
- These position reductions will result in impacts, including a backlog of industrial facility inspections and enforcement efforts. While initial inspections are performed by a contractor, city staff conducts follow-up investigations and enforcement.
- Proposed reduction of \$3.0 million in non-personnel expenses will impact education and outreach efforts and delay lower priority storm drain repairs.
- It is anticipated that these reductions will be carried forward and impact 2010.
- It is expected that the City will remain in compliance with Municipal Permit; but will have reduced ability for proactive planning and project implementation.

Special Promotional Programs (TOT Fund):

- The projected shortfall in Transient Occupancy Tax revenue will reduce funding to the Special Promotional Programs budget by approximately \$7.7 million. This would result in a reduced transfer to the General Fund unless offsetting reductions to other TOT allocations are made. The table below reflects the proposed reductions in TOT allocations to mitigate this shortfall.

Special Promotion Programs (TOT Fund)

Projected TOT Shortfall	(7,672,208)
Proposed Solutions	
<i>Increase Redevelopment Repayment from \$7.5m to \$11.3m</i>	3,800,000
<i>Use of PETCO Fund Balance</i>	3,200,000
<i>Reduction to QUALCOMM</i>	1,027,596
<i>Reduction to Convention Ctr. Operating</i>	216,960
<i>Reduction to Balboa Park Centennial</i>	150,000
<i>Eliminate 1.0 FTE in A&C Admin.</i>	47,502
<i>Reduction to Special Events</i>	44,585
<i>Reduction to Public Art Fund</i>	30,000
<i>Reduction to Major Events</i>	21,014
<i>Reduction in Transfer to GF</i>	1,534,441
Total Proposed Solutions	10,072,098
TOT Fund Balance	2,399,890

- As shown in the table above, the proposed solutions are greater than the projected shortfall, resulting in a \$2.4 million surplus. The November 10 memo from the CFO states that this surplus will be used to offset any further reductions in TOT funding, and to assist with balancing the FY 2010 budget. However, this funding could be used to restore the full discretionary transfer to the General Fund, and still leave a fund balance of nearly \$900,000.

- An option that is not proposed is a 10% reduction in funding for Arts & Culture contracts. If implemented, this could result in additional savings of \$687,000. Elimination of funding for Mayor and Council allocations would save another \$220,000.

TECHNICAL BUDGET ISSUES

Requested Appropriation Adjustments differ from Net Savings:

- If combined, estimated savings from Year End Projections and Corrective Actions (net of those already assumed in Year End Projections) will total \$47.8 million or 3.9% of the total General Fund budget. However, the requested appropriations adjustment for expenditures totals \$40.9 million to match the requested appropriation adjustments for revenue. Adjustments are not requested for all the savings estimated to occur based on Year End Projections; however, if these projections are accurate, at Year End, they will fall to fund balance. The IBA also questions why, after requested appropriation adjustments occur, some departments will still be projecting a Year-End deficit, including Library, Park and Recreation, Police, and Business Office.

Accounting for Vacancy Savings:

- The IBA is unclear on how savings from vacancies was distinguished between year-end projections and corrective actions (when the vacancy is proposed to be eliminated). If a position is currently vacant and not assumed to be filled during the fiscal year (due to the hiring freeze) than no additional savings in Fiscal Year 2009 would occur as a result of eliminating the position. For all position reductions, it should be clearly communicated whether the position is vacant or not, how long the position had been vacant, and how long the position was assumed to be vacant. Also, there is a concern with how vacancy factor may impact any proposed additional savings from the elimination of vacant positions.

Total Savings Associated with the Elimination of Positions:

- Upon our initial review, it appears that only salary and fringe benefits will be reduced when a position is proposed to be eliminated. The IBA believes additional savings could be achieved if the associated non-personnel expense (NPE) is also eliminated (i.e. vehicles, computers, office supplies, etc). Also, for Fiscal Year 2009, it is our understanding that a large percentage of fringe costs would still occur even if the position is eliminated. For instance, the City's ARC payment is a set amount that is allocated throughout City departments by the number of FTEs in that department; if a position is eliminated the ARC payment would still occur and that portion of a position's fringe would not result in savings.

IBA SAVINGS/REDUCTION OPTIONS TO CONSIDER

The majority of the following options are one-time reductions but many could be continued through FY 2010 and therefore be substituted for other one-time temporary items recommended by the Mayor. Such items include reduction of Fire and Police academy classes (\$2.2 million), temporary closure of seven libraries (\$1.7 million), temporary closure of ten recreation facilities (\$0.8 million) or rolling service reductions in Fire-Rescue (\$1.6 million). These reductions are assumed only through FY 2010 in the Mayor’s report.

Mandatory Furlough – Potential FY 2009 Savings of \$2.0 million:

- In our October 14, 2008 report to the Budget and Finance Committee (Report #08-107), our office prepared an estimate of potential savings to be achieved by implementing a Mandatory Furlough. It is important to note that a Mandatory Furlough is not a permanent solution but is an option that the City Council could consider as a solution for Fiscal Year 2009. The implementation of a Mandatory Furlough would require meeting and conferring with the City’s labor unions.
- The following chart includes the possible savings related to a mandatory one week furlough. This information is based on actual expenditure activity to date and assumes that 75% of fringe benefits remain a fixed cost due to the Annual Required Contribution to the Retirement System and Retiree Health costs. The anticipated savings includes a reduction of \$1.1 million that is related to General Fund employees already participating in the City’s Voluntary Furlough Program.

Estimated Impact of Mandatory Furlough	
General Fund Department	One-Week Furlough Savings (40 hrs)
All General Fund Departments	\$10,354,767
General Fund (W/O Police & Fire)	\$3,037,562
General Fund (W/O Police, Fire, City Attorney, NCC, Refuse Collection, Street Division)	\$2,049,123

- It is important to note that additional savings could be generated depending on how the furlough is implemented. For example, if the City were to close one Friday a month for the remainder of the Fiscal Year savings related to energy costs could be achieved by having the City buildings dark. These ancillary savings would be minor and are not included in the chart above.

Workers’ Compensation Reserve – Potential FY 2009 Savings of \$4.7 million:

- The Workers’ Compensation contribution in the Fiscal Year 2009 Annual Budget is \$26.0 million citywide. \$20.3 million (or 78%) is budgeted in the City’s General Fund.

- Contributions include funding of \$4.0 million toward the City Workers' Compensation Fund reserve in accordance with the City's reserve policy to achieve 15% of outstanding claims of \$161.0 million, or \$24.15 million.
- Based on the IBA's review of the Workers' Compensation Fund, the current balance exceeds \$30 million. Each period, the fund receives \$1 million more in revenues than is needed to fund actual expenditures, on average, further adding to the fund balance.
- Consideration should be given to returning funds in excess of the reserve goal, and/or reducing contribution rates for the remainder of the year to slow the growth of the reserve.
- Returning 78% of the current \$6.0 million excess could result in a \$4.7 million benefit to the General Fund.

Reduce Funding for Arts & Culture – Potential FY 2009 Savings of \$0.9 million:

- Arts & Culture contracts include a provision for reallocation of funding based on the fiscal status of the General Fund;
- A 10% reduction in funding for Arts & Culture contracts would in savings of \$687,000;
- Elimination of funding for Mayor and Council TOT allocations would save an additional \$220,000.

3% – 10% Unclassified Employee Salary Reduction – Potential FY 2009 Savings of \$424,000 to \$1.4 million

- The IBA has prepared an estimate of potential savings to be achieved by implementing a mandatory pay reduction for Unclassified employees. With the exception of Deputy City Attorneys, unclassified employees are not represented by a labor organization. The mandatory pay reduction could be implemented immediately if so desired. Cities such as Philadelphia and Chicago have already implemented mandatory pay reductions for their executive level employees.
- The following table provides the estimated savings and percent reduction for one-half of the Fiscal Year for Unclassified employees. The information provided in the table is based on Fiscal Year 2009 budgeted salaries for Unclassified employees, with the exception of Deputy City Attorneys, and includes all General Fund departments.

Percent Reduction	Reduction Amount
3.00%	\$424,226
5.00%	\$707,043
10.00%	\$1,414,085

Review of Prior Year Encumbrances- Potential FY 2009 Savings of \$2.2 Million:

- Prior year encumbrances reflect funds encumbered in FY 2008 for projects initiated in FY 2008 but not yet completed.
- The City's General Fund currently has approximately \$44.1 million.

- To date, approximately \$14.5 million has been expended and \$23.1 million remains encumbered to address specific, committed expenditures.
- Approximately \$4.3 million of the remaining \$6.5 million is needed to cover SDDPC expenses.
- This leaves \$2.2 million available to the General Fund subject only to City Comptroller action to deappropriate.

Other Revenue Options:

- In prior years, a host of revenue options have been considered in order to balance the budget, including new fees, rate revisions and other cost recovery measures. Examples of increased fees or charges that have been approved or considered in the past include:
 - Parking meter rates
 - Refuse hauler franchise fee
 - Parkade and World Trade Center parking rates
 - Fire company inspection fees
 - Impounded vehicle administration fee
 - Aquatic and ground use fees
 - Disabled parking violation fee
 - Police/traffic control commercial rates
- The proposed FY 2009 budget solutions did not include any options for additional revenue from fee or rate increases. Further analysis would need to be done to determine which specific options are available, and the potential dollar amounts. While we understand that a comprehensive study of City cost recovery fees is being conducted, a balanced approach to mitigating the projected budget deficit should include revenue options. Departments should be able to quickly identify potential new or increased fees that can be implemented in the current fiscal year.
- As the City's User Fees have not been analyzed or increased in several years, it is likely the General Fund is increasingly subsidizing user fee activities at the expense of other priority services.
- A September 2008 Research Brief from the National League of Cities on "City Fiscal Conditions in 2008" noted the following regarding fiscal actions being taken in other cities: "The most common action taken to boost city revenues during 2008 has been to increase the levels of fees for services. Half (49%) of the responding city finance officers report that their city has taken this step."

[SIGNED]

Lisa Celaya
Fiscal & Policy Analyst

[SIGNED]

Elaine DuVal
Fiscal & Policy Analyst

[SIGNED]

Tom Haynes
Fiscal & Policy Analyst

[SIGNED]

Jeff Kawar
Fiscal & Policy Analyst

[SIGNED]

Jeff Sturak
Fiscal & Policy Analyst

[SIGNED]

Dominika Bukalova
Research Analyst

[SIGNED]

Brittany Coppage
Research Analyst

[SIGNED]

Penni Takade
Deputy Director

[SIGNED]

Andrea Tevlin
Independent Budget Analyst

Attachments:

1. Summary of Reductions by Department- First Quarter Revisions vs Corrective Actions
2. Summary of Department Reduction Options Submitted and Not Recommended
3. Park and Recreation New Facility Costs – FY 2009 and FY 2010