To: City Council via City Manager

From: Administrative Services Director

Subject: Priority Setting for 2012/13 Budget

Date: February 27, 2012

Purpose:

Develop a process to ensure the 2012/13 budget meets the community values and desires while ensuring the long-term financial stability of the City.

Recommendation:

Determine the definitions of "Must", "Important", and "Valuable" as these words relate to the community services provided by the City.

Background:

On January 23, 2012 the City Council reviewed the work done by the previous City Council, Council's subcommittee, and staff to date. As part of this packet staff provided the overheads which were discussed at the September 26, 2011 Council meeting. Attached is the overhead which shows the different styles of budget available to City Council. Also attached is a description of each of the styles and a brief analysis of the advantages and disadvantages of each.

Discussion:

The subcommittee has developed a process for developing next year's budget as outlined below:

1. Categorize all of the programs the City offers in one of three categories
2. Determine the funding available to provide City programs and services
3. Determine the costs of all of the programs and services
4. Determine which programs and services the City can afford to provide
5. Determine if there are changes we can make in the method of providing the services to save costs
6. Develop the new budget based on the above steps

The previous City Council first reviewed the subcommittee's definitions of "Must", "Important", and "Valuable" and then determined which services were in the "Must" category. Staff has developed another 5-year revenue projection based on VWR leaving in July of 2012 and Redevelopment being out of existence. This was presented at the January 23rd meeting. Staff has also developed a cost for the "Must" services based on how they are currently provided for the community. This showed the cost for the "Must" services exceeded the revenues available.

Prior to doing additional work the subcommittee recommends the new council review the definitions as they currently exist and make any changes it deems necessary. After this the Council should also review the list of services to determine if the one's already in the "Must" category should stay there or other programs or services should be added.

The definitions of the three categories are below.

- **Must** - Services minimally required for a City to function which provide for the health and safety of the Community or required by law (Federal, State, Local)
- **Important** - Service or activity that affects a broad spectrum of the community; or critical to the effective and efficient operation of a City Department; and
- **Valuable** - Adds to the quality of life of the community; or not critical to provide for the safety or health of the community

City Council may wish to reconcile multiple styles of budgeting within their process for the 2012/13 budget. For example, step 3 lends itself to doing a detailed cost accounting method similar to what may be found in developing an outcome based budget. When working on step 4 City Council may desire to incorporate some aspects of zero based budgeting. Step 5 may incorporate features of program based budgeting.

Staff is working on a parallel track. We are developing alternative methods for developing the budget including looking at specific programs for reductions and areas for possible revenue increases; as shown to City Council on January 23rd. Staff is also working on a hybrid model between creating a priority list from the definitions and an incremental cut budget (An incremental cut budget would be one which takes the amount necessary to cut and reduce all departmental budgets by that percentage). This will allow the City Council the most ideas and options in developing the budget for FY 2012/13 and beyond.
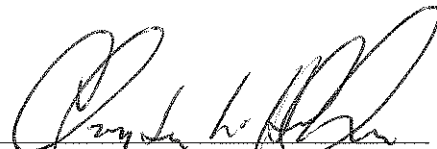
Fiscal Impact:

Since no decisions are being made tonight regarding which programs will be funded and which will not there is no impact on the City's financial condition. However, based on the final outcome of the overall budget process for FY 2012/13 there is an expectation the long-term impact will to continue to have a financial stable City structure.

Measure of Success

The long-term financial stability of the City.

Administrative Services Director
Stuart Schillinger

City Manager
Clay Holstine

Attachments:
Budget Methods – Definitations, advantages, and disadvantages
List of services with previous Council ranking

Budgeting Methods

Type of budgeting	Definition	Advantages	Disadvantages
Incremental	Aaron Wildavsky defines incremental budgeting as looking at last year's budget and increasing or decreasing it by a defined increment.	• Easy to do • Set amount of increase or decrease per department • Similar programs and services occur year after year	• Doesn't set priorities between departments or services • Incremental cut may be so great some important services may no longer be provided
Zero Based	Asks the question what would the program or service cost if we were to start it today – line item focused	• Does not treat any particular program or service as necessary • Provides detailed information on the cost of programs and services • Allows decision makers to ask the question "What if we no longer want to provide this service or program"	• Requires a great deal of information to determine budget • Overhead costs cover multiple programs and services and cannot be cut based on reductions to one or two areas
Program Based	Focuses on plans and results of programs offered instead of line items	• Relates to the end product to the resources used • Decision making focused on results	• Difficult to define the result of a program or the cost to produce the result
Outcome/Performance Based	Focuses on the performance measures and activity based costing metrics for programs and services	• Provides decision makers more data in making decisions such as cost per unit • Requires program and service providers to break down what they provide into smaller easily understood units	• Difficult to determine performance measures for certain services (Police, Fire) • Once information is provided may or may not help decision making process
Priority Based	Focuses on the larger priorities of the organization	• Provides decision makers a framework to connect community values to programs and services provided	• Difficult to separate particular services and programs into particular values of the community

	Service or Program	Council Ranking
City Clerk		
	Administer Oaths	MUST
	City Council/Commission Support	
	Agenda	MUST
	Correspondence	MUST
	Minutes	MUST
	Scheduling	MUST
	File and post legal notices	MUST
	Maintain Records of the City	MUST
	Manage and Maintain Municipal Code	MUST
	Receive and Open Bids	MUST
	Receive Subpoenas	MUST
	Run City Elections	MUST
City Manager		
	Blog update	
	City News, City Star preparation and mailing	
	Executive Director of Redevelopment Agency	MUST
	Oversee economic development	
	Oversee special projects/administrative support to Council	
	Provide administrative support to Open Space Committee	
	Provide overall management for City	MUST
	Run City Low/Mod Housing Program	MUST
	Website update	
Community Development		
	Analyze land use proposals, EIR's and projects of outside jurisdictions and agencies	MUST
	Coordinate with all levels of government	MUST
	Develop and analyze area and specific plans	MUST
	Ensure capital project consistency with policies	MUST
	Ensure compliance with various codes	MUST
	Evaluate private and public development projects	MUST
	Issue Building Permits and perform inspections	MUST
	Maintain and Update General Plan	MUST
	Planning Commission and City Council support	MUST
	Process Permits	MUST
	Provide Housing programs per State Law	MUST
	Special Studies	
	Update Housing Element	MUST
	Work with other agencies on mutual planning issues	MUST
	Zoning Administrator	MUST

Service or Program	Council Ranking
Finance	
Accounting Services	MUST
Billing	MUST
Budget Preparation and Monitoring	MUST
Business Licenses	MUST
Cash receipt	MUST
Cash, investment, and debt management	MUST
Cost of Service Analysis	
Financial Report preparation	MUST
Grant Coordination	
Maintenance and operation of computer system	MUST
Payables	MUST
Payroll Processing	MUST
Performance Measure Coordination	
Prepare and compile reports	MUST
Utility Billing	MUST
Fire	
Manage vegetation for fire protection	MUST
Perform fire cause and determination investigations	
Protect life, property, and environment from fire	MUST
Provide automatic aid to surrounding areas	
Provide emergency medical care as first responder	MUST
Provide fire code inspections during building	MUST
Provide fire code inspections annual	MUST
Reinspection for fire code violations	MUST
Provide fire code plan review	MUST
Regulate storage and use of hazardous materials	MUST
Maintain Vehicles	MUST
Human Resources	
Develop Human Resource Policies	
Implement work place safety program	MUST
Maintain personnel records	MUST
Manage employee discipline	
Manage employee grievances	
Manage labor relations and negotiations	MUST
Manage personnel system	
Monitor training for employees	MUST
Perform job classification analysis	
Process benefit claims	MUST
Process terminations	MUST
Provide guidance related to employment laws and regulations	
Recruit employees	

	Council Ranking
Service or Program	

Marina

Service or Program	Council Ranking
Own and manage Marina	
Bill customers	MUST
Dispose of hazardous materials	MUST
Enforce Marina rules and regulations	
Maintain marina facilities	
Docks	
Bathrooms - Private	
Bathrooms - Public	
Walkway	
Respond to emergencies at marina	MUST
Administration	
Customer Service	
Marketing	
Security	MUST

Parks and Recreation

Service or Program	Council Ranking
Coordinate pre-school program	
Coordinate Senior Programs	
Trips	
Senior Center	
Lunches	
Coordinate Special Events	
Concerts in the Park	
Day in the Park/Brisbane Derby	
Festival of Lights	
Lagoon Clean-up	
Coordinate Teen Programs	
Teen Center	
Teen Dances	
Teen Trips	
Provide Adult Classes	
Provide Adult Sports	
Provide after school programs	
Provide lap swim	
Provide recreational swim	
Provide seasonal camps	
Provide Swim lessons	
Provide Youth Classes	
Provide Youth Sports	
Staff Parks and Recreation Commission	
Staff Youth Advisory Committee	
Provide support for Elementary School District Programs	
Provide support for High School District Programs	
Bus for Terra Nova and Oceana	

Service or Program	Council Ranking
Late Bus for Terra Nova and Oceana	
After school Library	
Police	
Enforce Traffic laws	MUST
Generate statistical reports	MUST
Maintain records	MUST
Maintain vehicles	MUST
Patrol City	MUST
Perform Detective Services - People	MUST
Perform Detective Services - Property	
Perform School Resource Officer functions	
Process evidence	MUST
Provide parking enforcement	MUST
Respond to calls for service	MUST
Public Works	
Liaison/support CEV program	
Office of Emergency Services	MUST
Maintain City Buildings	
City Hall/Police Station	MUST
Mission Blue	
Mission Blue Restroom	
Community Center	
Library	
Fire Station	MUST
Teen Center	
Park Restrooms	
Senior Center	
Marina Offices	
Corporation Yard Building	MUST
Modular at School	
Pool Building	
Silver Spot Building	
Maintain City Parks	
Community Park	
Firth Park	
Mission Blue Park	
Quarry Road Park	
SkatePark	
Basketball Court	
Lipman Field/Tennis Courts	
Silver Spot Park	
Sierra Point Green	
Bay Trail	

Service or Program	Council Ranking
Fisherman Pier	
Dog Park	
Crocker Trail	
Maintain City Streets	MUST
Maintain City Storm drain system	MUST
Reporting requirements for NPDES	MUST
Maintain City Trees	
Maintain City Wastewater System	MUST
Maintain City Water System	MUST
Maintain Equipment	MUST
Maintain sidewalks	MUST
Maintain Sierra Point and Lighting and Landscaping District	MUST
Maintain street lights	MUST
Maintain traffic signals/signs	MUST
Maintain Vehicles	MUST
Provide inspection services for private development	MUST
Provide inspection services for public projects	MUST
Provide oversight for Capital Projects	MUST