

City of Brisbane

Agenda Report

To: City Council via City Manager
From: Administrative Services Director
Subject: Long-term Financial Planning
Date: January 23, 2012

Purpose:

Review the work done by City Council on September 26, 2011 related to the development of categories in which to place community-wide services, provided by the City.

Continue the process of ensuring the 2012/13 budget meets the community values and desires while providing for the long-term financial stability of the City.

Recommendation:

Provide the Subcommittee feedback related to the progress made so far in determining a process for developing the FY 2012/13 budget.

Background:

The City Council reviewed the FY 2011/12 and 2012/13 proposed budget during the months of May and June. The Council voted to only adopt FY 2011/12 budget due to the uncertainty of revenues for FY 2012/13. They also asked one of their subcommittee to develop a course of action for the FY 2012/13 budget approval process.

The subcommittee has met over nine times since June spending over 18 hours developing the process. The subcommittee's process is outlined below:

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

The Subcommittee developed a proposed ranking system for all of the City's programs and services. The three categories they looked at were

On September 26, 2011 the subcommittee presented its work to the City Council (Powerpoint presentation attached). The City Council reviewed and the definitions presented for Must Services, Important Services and Valuable Services.

- 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
 - Critical to the effective and efficient operation of a City Department
- Valuable
 - Adds to the quality of life of the community
 - Not critical to provide for the safety or health of the community

Council then placed which services provided by the City, funded by the General Fund, in the Must category. City Council did not classify any service which was not categorized as a Must service (Attached).

The ranking of a service in one of the three categories does not signify whether or not it will be provided in the future, or how the service would be funded, or who will provide the service. Placing a service in one of the three categories provides another level of information for Council to make future budget decisions from.

Discussion:

The Subcommittee directed staff to develop projections based on the Must category. Attached is a revenue and expenditure projection based on this direction. The projection based on VWR leaving town, RDA being dissolved, and a \$400,000 transfer from the Marina to the General Fund since it no longer needs to fund Parks and Recreation programs. The chart shows there are not enough revenues to cover the cost of the programs and services previously described as Must services.

The City Manager has attached a memo describing a process which the Department Heads and other staff members went through to provide additional options and ways to look at the budget process and create long-term fiscal stability.


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 be 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

PRIORITY SETTING

City Council September 26, 2011

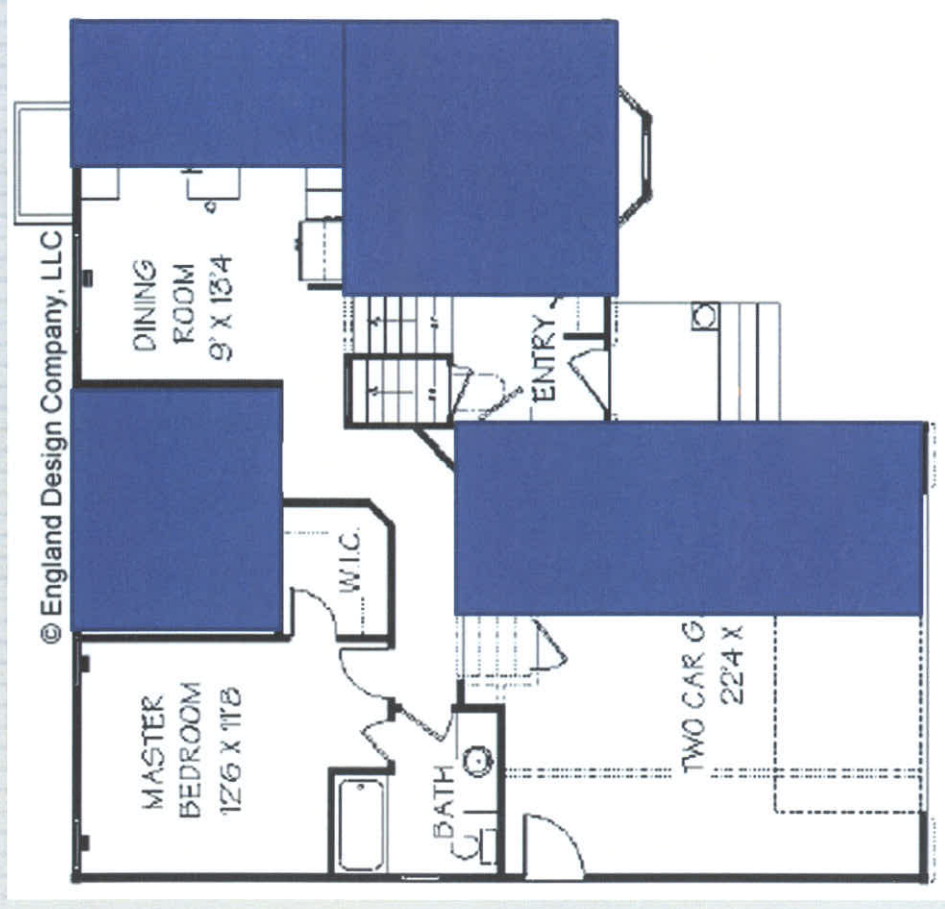
Impact of VWR Leaving

- Approximately 50% of City's Sales Tax
 - ▣ \$2,000,000
 - ▣ 4.7% growth from 2008-2010
- Top 25 Sales Tax producers
 - ▣ 95.62% of overall Sales Tax
 - ▣ -5.2% decrease from 2008-2010
- Cost of Some Programs
 - ▣ Admin Services \$1,250,000
 - ▣ Recreation net of revenues \$1 million
 - ▣ Fire Department - \$2.5 Million

Includes VWR



Remodeling vs. Rebuilding



Rebuilding

Know what is important



Determine what funding is available



Determine costs of programs



What can we afford



Can we do things differently to afford more



Build new budget

What has happened to date

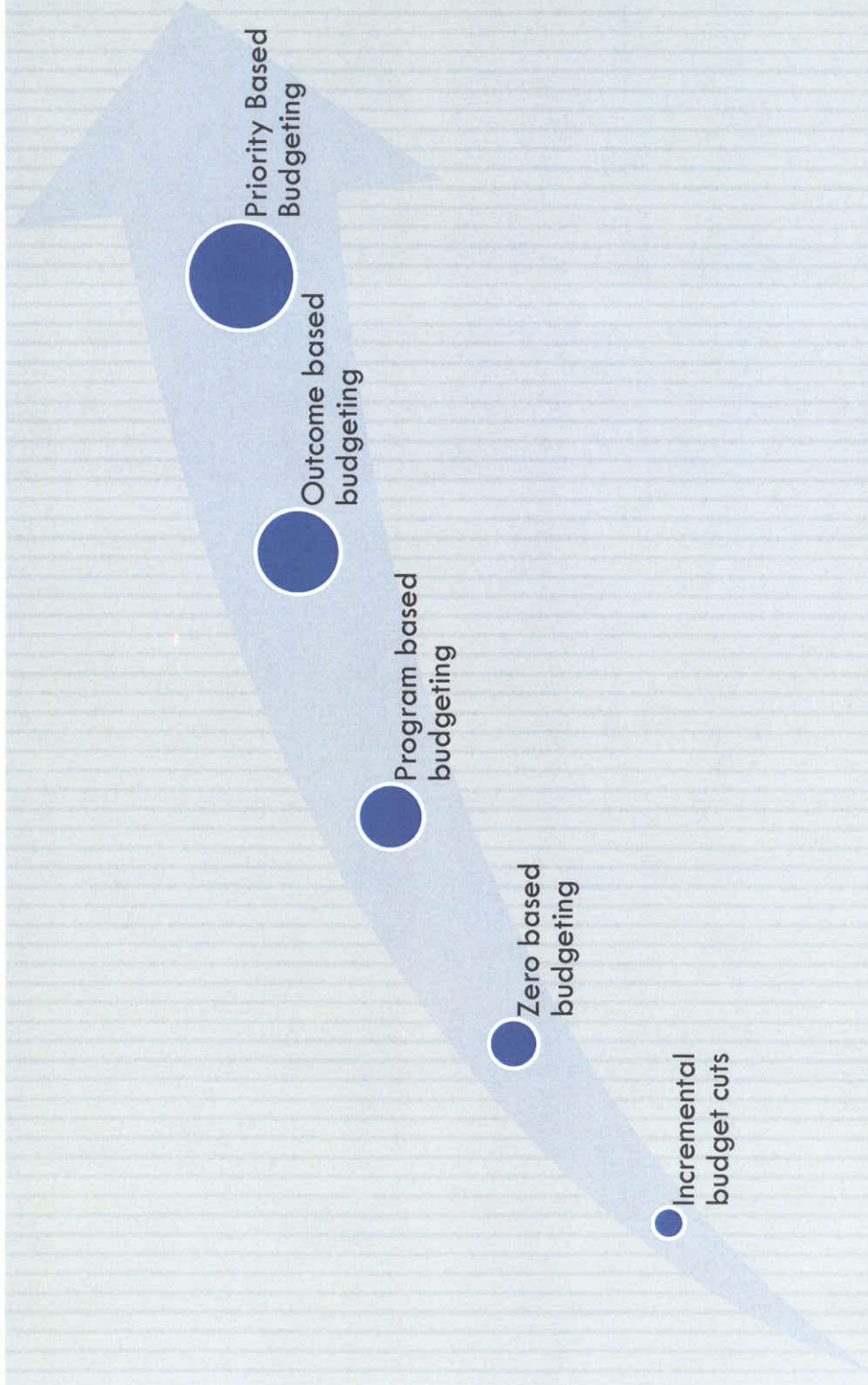
Council prepared for current recession by freezing positions and cutting costs

- 18+ positions already frozen anticipate 3 more
- 11/12 budget less than 2008/09 actual expenditures

Set-up Council subcommittee to review budget in context of labor contracts

- Subcommittee met for 9 times over 18 hours

Process to be Used



Determining Priorities

Must	Important	Valuable
<ul style="list-style-type: none">• 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)	<ul style="list-style-type: none">• Service or activity that affects a broad spectrum of the community• Critical to the effective and efficient operation of a City Department	<ul style="list-style-type: none">• Adds to the quality of life of the community• Not critical to provide for the safety or health of the community

	Service or Program	Council
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
Community Development	Website update	
	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
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	
Marina		
	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

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	
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	
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

5-Year Projections Based on City Council Must List

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Revenues	10,380,715	10,092,007	10,330,519	10,589,200	10,868,233
<u>Expenditures</u>					
City Council	130,718	139,398	145,860	152,836	160,475
City Clerk	187,670	185,892	182,886	189,370	185,581
City Manager	491,933	496,944	503,051	503,020	507,412
Finance	880,439	892,751	906,034	916,308	927,212
Human Resources	245,530	248,909	253,009	256,577	260,350
City Attorney	210,213	210,892	211,346	211,805	212,269
Community Development	886,017	794,477	821,548	831,510	841,971
Library	29,930	30,229	30,532	30,837	31,145
Police	2,875,790	2,897,905	2,959,423	2,980,666	3,014,130
Fire	2,465,812	2,503,925	2,541,653	2,571,879	2,603,705
Public Works	1,291,240	1,286,188	1,313,994	1,364,144	1,333,621
Non-Departmental	472,681	477,408	482,182	487,004	491,874
Bond Issues, OPEB, NPDES, Water	1,361,889	1,572,051	1,614,870	1,650,591	1,689,483
Total Expenditures	11,529,863	11,736,969	11,966,389	12,146,548	12,259,226
Revenues Less Expenditures	(1,149,148)	(1,644,962)	(1,635,870)	(1,557,348)	(1,390,993)

January 23, 2012

To: City Council
From: City Manager
Subject: Fiscal Planning Discussion

In early January city staff met for several hours over three days to discuss and develop some ideas and strategies for addressing long term city fiscal issues. City staff was presented with 5 year projections based upon an assumption of the loss of sales tax revenue from VWR which equals to a little over \$2 million annually.

Staff was assigned to two working groups with a member of each department in each group. Following is a compilation of their ideas and thoughts. This work product is preliminary and represents ideas and thoughts, not a specific plan or recommendation.

As we move forward with our collective dialogue over this issue, I will be asking staff to provide additional input on items that may include organizational design, implementation of council priorities and any number of other items that relate to the long term fiscal planning of the City of Brisbane. This additional input will be based upon City Council direction and will continue to occur throughout the budget process.

In addition to the ideas presented I have provided a brief pro and con assessment to assist in illuminating the issues that these ideas present.

Reductions in programming –

Examples:

Provide public safety services in different ways. This may include shared services, contracting to other public agencies and different methods of providing these services.

Pros – May save money based on a different payment structure for services, may provide additional resources for larger emergencies.

Cons – May reduce the amount of local control the Council and Community has for individual responses, may reduce the basic level of service (while providing for emergency level response)

Elimination of General fund support for Parks and Recreation Services – to the extent that revenues offset cost we could continue maintenance of facilities and fields but our involvement in programming would be reduced significantly.

Pros – Would save money based on the programs which are no longer offered, may create an atmosphere of the community getting together to provide some of the services which could no longer be supported by taxes.

Cons – Could eliminate key programs which the community has come to rely on, could increase costs of programs to the point where not everyone in the community could participate in structured recreation activities.

Reduce or close access to facilities.

Pros – there may be some rather significant cost savings depending on options that are chosen.

Cons – any changes in service levels will require extensive public outreach to explain and educate. Further analysis will need to be conducted to assess the cost – benefit of various options.

Sell Assets of the City

Sell assets – examples would include pool, marina, etc

Pro – assuming there are buyers this approach could generate significant upfront funding to the City and reduce or eliminate long term costs as the City may not have long term liability to operate these facilities and programs that go with them.

Con – again there would need to be extensive public outreach. There may not be buyers for some facilities and if it is perceived that the sale of assets is under duress we may not get competitive bids.

Selling of assets may eliminate some services to the community or significantly alter the way in which the community receives those services.

Further labor concessions

Reduce the compensation packages for city employees, beyond what is already being negotiated.

Pro – current and future expenses could be reduced.

Con – It is estimated that a 1% reduction is equal to approximately \$60,000 to the general fund. Therefore the impact of this approach is somewhat limited given the scope of the issue. It may also impact the competitiveness of the city over the long term in attracting and keeping employees.

Staffing

Continue to reduce staffing through attrition. In 2008 the City adopted a 5 year plan to reduce staffing by about 15 to 20% based on attrition with no lay offs. This idea is to continue that approach.

Pro – The City could continue to gain savings as staff retires or leaves without the disruption caused by forced layoffs.

Con – While we have been able to move people around and redirect resources to maintain current level of services we have exhausted this approach. Future reductions by attrition will eat into our ability to provide services in those areas. By using attrition the city is not selective or pro-active in identifying its priorities. Service levels will be determined by the whims of retirements and individual decisions to leave employment with us instead of a planned approach to make sure the services we provide are the ones the community needs or desires.

We have previously discussed the budget concept of “thinning the soup”. This describes the phenomenon of reducing resources to the services we provide incrementally where each increment seems somehow manageable until one day we assess that our provision of service in various areas is no longer sufficient or acceptable. The timing of this usually correlates with a crisis such as broken public facilities, lack of resources to address emergencies, staff overworked and unable to adequately respond to workload. Management through attrition given our current level of staffing places us in danger of making de-facto decisions that we will likely regret.

Reserve Policy

Evaluate reserve policy and use rainy day fund.

Pro – periodic evaluation of the reserve policy is always a good idea and especially when we are experiencing new financial realities.

Con – use of reserves as part of a strategy to get to a long term sustainable budget is an appropriate action. However, to use reserves simply to put off difficult decisions only exacerbates the long term issue as you may end up with neither a good sustainable budget nor an adequate reserve.

Evaluate discretionary policy expenditures as identified by Finance Director

There are the approximately \$500,000 that has identified. These expenditures programs include staff training, tree trimming, school bus support, as well as others.

Pro – these are items that the City Council may want to consider as part of a long term strategy.

Con – as stated above many of these items may need significant community input as they impact peoples daily lives. Even if we eliminate the entire list we address less than 25% of the problem. That said some of these items may be part of a larger plan.

Raise Revenue

Implementation of the Business license tax on recycling operations or in lieu of total implementation a more modest phased approach while issue of project development are in play.

Parcel tax

Utility Users Tax

Program fees

¼ cent sales tax

Pros - Depending on the type of tax and what it is used for it may be paid more by either businesses in town or people who live out of town. New revenues tied may be tied to specific services which could ensure they continue no matter what the future economic environment is.

Cons – Depending on what the tax would be used for it may need either a majority or 2/3rds vote to adopt it. There would need to be a community-wide education process to explain the purpose for and reason why new taxes are needed. New revenues could create the expectation that services will continue as is or improve even if other financial issues hit the city.