

Agenda Report

TO: CITY COUNCIL **DATE:** March 10, 2003
THROUGH: Finance Committee

FROM: CITY MANAGER

SUBJECT: Fiscal Year 2003 General Fund Operating Budget Reductions

RECOMMENDATION

It is recommended that the City Council approve a journal voucher reducing a total of \$1,681,705 in the fiscal year 2003 operating budget, as detailed in the Background section of this report and summarized in Exhibit A, and increasing the Budget Stabilization Reserve (previously designated the reserve for loss of VLF backfill) by a like amount.

EXECUTIVE SUMMARY

This report has been prepared in response to the state's budget crisis and its impending impact on the City of Pasadena. The report proposes a reduction of \$1,681,705 in the fiscal year 2003 operating budget and an increase in the Budget Stabilization Reserve in a like amount, bringing that reserve to approximately \$5,171,705.

For the fiscal year 2004 recommended operating budget, General Fund reductions will be sought in the range of \$8 million. This will be accomplished through a combination of cuts, use of the Stabilization Reserve and new revenues. Further, in addition to the normal budget development process that would be used to identify such reductions, representatives of labor organizations as well as employees at large will be afforded an opportunity to participate and contribute.

BACKGROUND

On January 27, 2003 a report outlining the factors impacting the City's operating budget was presented to the City Council. At that time it was anticipated that the City would lose \$2.9 million in the current fiscal year and between \$7 to \$15 million in fiscal year 2004, as a result of the state's raid on local revenues. In addition, a number of other factors putting pressure on the City's budget were also identified.

As a result of an inability in Sacramento to reach consensus as how to manage the state's budget crisis, it appears that the City is likely to avoid significant current year

reductions in revenues. However, the potential loss of revenue for fiscal year 2004 has yet to be defined more specifically than the \$7 to \$15 million range identified previously.

As mentioned in the January 27th report, steps are being taken which are expected to temper the impact of the state budget, whatever that may ultimately be. Specifically, in fiscal year 2002, the City reserved \$1.89 million against the possible loss of Vehicle License Fee backfill. Another \$1.8 was added to this reserve in the current year's budget. Subsequently, about \$200,000 of this reserve was earmarked to offset possible reductions in the Library and Health Funds for fiscal year 2003. Consequently, the reserve remains at \$3.49 million.

Additionally, as outlined in the report, a minimum of \$1.5 million in General Fund reductions would be identified in the current fiscal year's budget, the funds for which would be added to the above mentioned reserve, which is now designated as the Budget Stabilization Reserve. Accordingly, staff has identified such reductions, which total \$1,681,705 and are listed below as well as summarized in Exhibit A. The bulk of the reductions are in the area of salary savings, which can be achieved by holding a number of currently vacant positions open, and transferring available funds to the Stabilization Reserve. The positions would not be deleted, only de-funded for either the entire fiscal year or a portion thereof depending on the circumstances of each position. For example, a position that was vacant since the beginning of the fiscal year, and not "back-filled" with an individual will have its full funding transferred to the reserve. Because these positions are currently vacant, such action will not have an impact on any existing employees.

The other reductions include items that could be accomplished at lesser cost, the transfer of costs to other funds which better reflect where the costs should be identified, and a citywide reduction in funds for travel, conferences and meetings.

Reductions Achieved Through Salary Savings

Department	Position	FTE	Amount Available in current year
Finance	Management Analyst III	1.0	74,691
Finance	Senior Internal Auditor	1.0	85,683
Fire	Captain II	1.0	135,585
Human Services	Staff Assistant II	0.5	10,435
City Manager	Assistant City Manager	1.0	177,356
City Manager	Executive Secretary	1.0	43,588
City Prosecutor	Deputy City Prosecutor III	1.0	50,940
Human Resources	Management Analyst IV	1.0	43,802
Planning & Development	Graduate Management Intern	1.0	55,823
Planning & Development	Staff Assistant III	1.0	22,745
Planning & Development	Director of Planning & Permitting	1.0	19,547
Police	Cadet	0.8	18,211

Police	Youth Advisor	1.0	8,347
Police	Neighborhood Action Team (1 sergeant, 6 officers)	7.0	363,883
Total salary savings			\$1,110,636

In regard to the Neighborhood Action Team, the amount of funding identified in the above table represents six months worth. Although the authorization to hire an additional Neighborhood Action Team was added at the outset of fiscal year 2003, only half-year funding was provided in recognition of the lengthy process for recruitment and selection of police officers. Given the difficulty in hiring officers it is apparent that the Team will not be assembled during the current fiscal year. In addition to the vacancies associated with the second Neighborhood Action Team, there are currently four other vacant officer positions.

Reductions Achieved Through Greater Economy

- Funding for the Victory Park telephone system in the Human Services and Recreation Department - \$25,000. These funds were included in the previously approved mid-year budget enhancements, however, the Department was able to install the system within its existing budget.
- Funding for consultant services related to the General Plan Open Space and Conservation Element - \$130,000. A total of \$350,000 was included in the mid-year budget enhancements for the General Plan Open Space and Conservation Element. The Planning & Development Department has indicated that this amount can be reduced by \$150,000 by reprioritizing projects. Specifically, postponing the 5 year review of the North Lake Specific Plan, as well as the update of the Noise Ordinance. Additionally, the department's ability to assist in a timely manner in the environmental clearances of actions included in the Arroyo Seco Master plan will be impacted. Rather than reduce Planning's budget by the full available amount of \$150,000, staff recommends retaining \$20,000 and reprogramming it for the review of the City's Hillside Ordinance. The need for such revision has become acute, as continued development has put pressure on the City's hillside areas.
- Reduce the remaining General Fund dollars for travel, conferences and meetings by 50% (\$66,447) for the balance of the fiscal year and \$50,000 in the Computing and Communications Fund. Attending professional conferences is generally a cost-effective way of ensuring that staff is up to date on the latest issues and advances in their respective fields of specialization. However, given the situation, General Fund departments have been directed to be extremely judicious in their travel budgets for the balance of the year. Additionally, the Information Technology Services Division has identified a sum of \$50,000 related to travel, conferences and meetings that is available to be reduced from its budget and transferred to the General Fund Stabilization Reserve.

- Transfer \$118,001 from the Building Maintenance Fund in the Public Works Department to the General Fund Stabilization Reserve. This amount represents savings in the cost of security for City Hall as a result of utilizing a contracted security service rather than filling three City staff positions that were approved as part of the current year budget but not yet filled. The need for security will be reduced while operations are relocated from City Hall during the seismic retrofit. Consequently, the decision to fill the regular positions is being delayed.

Reductions Achieved by Transferring Cost Centers

- Fund the Safety Office program of the Department of Finance exclusively from the Workers' Compensation Fund. The Safety Office consists of 1.0 Safety Officer, 1.0 Management Analyst III, 0.5 Staff Assistant II and related services and supplies. Presently, only the Management Analyst III, which was added to the program in fiscal year 2002 is charged to the Workers' Compensation Fund. The remaining elements are charged to the General Fund. The work of the Safety Office has a direct bearing on the City's Workers' Compensation Program and has recently been merged with the Workers' Compensation Section from an organizational standpoint. It is recommended that the program be placed fully in the Workers' Compensation Fund, with an effective date of July 1, 2002. And that the amount the General Fund would have otherwise expensed, \$140,952, be transferred to the Stabilization Reserve.
- Fund the full cost of the Fire Department's Senior Plans Examiner and related expenses in the Building Services Fund for the entirety of fiscal year 2003. The Senior Plans Examiner in the Fire Department reviews construction plans submitted by developers, for which they are charged a Fire Plan Check Fee. The Building Services Fund retains the revenues from the Fire Plan Check Fee, while the cost of the Senior Plans Examiner and related expenses are split between the Building Services Fund, which pays 60% of the cost and the General Fund, which pays 40%. It is proposed that the Building Services Fund pay 100% of this cost. This action would allow for \$40,669 in General Fund dollars to be available to transfer to the Stabilization Reserve.

The Fiscal Year 2004 Budget

Although the focus of this report is to make current year reductions, it is appropriate to make mention of the process for the fiscal year 2004 operating budget. As discussed previously, for fiscal year 2004 overall reductions in the General Fund will be targeted at \$8 million. This will be accomplished through a combination of cuts, use of the Stabilization Reserve and new revenues. Naturally, the approach and amounts involved will be reassessed in the event more definitive information regarding the state budget becomes available prior to the submission of the fiscal year 2004 recommended operating budget.

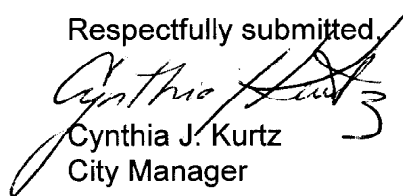
As a means of identifying possible reductions for fiscal 2004, General Fund departments have been asked to submit 5% and 10% budget reduction packages. These proposals will be reviewed as part of the normal operating budget development process, which is ongoing at this time. Representatives of labor organizations have been invited to review all departmental reduction proposals and provided an opportunity to submit alternative reductions. A mechanism for employees at large to provide cost-saving suggestions has been placed into effect as well.

In all likelihood the City will adopt its operating budget before the state determines its final plan for addressing its deficit. Rather than implement noticeable reductions in service to the community as well as staff reductions, which may ultimately be unnecessary in the event the impact of the state budget is less than currently anticipated, a combination of cuts, use of the Stabilization Reserve and new revenues will be employed.

FISCAL IMPACT

The proposed action will increase the current Budget Stabilization Reserve from an approximate \$3.49 million to approximately \$5,171,700.

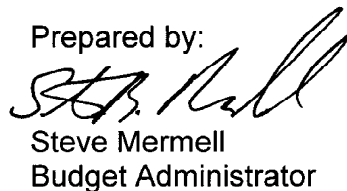
Respectfully submitted,


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