



# FY 2010-11 Budget Update

June 8, 2010

# Agenda

Incentive Based Voluntary Separation Program

Assistant City  
Manager

FY 10-11 Preliminary General Fund Budget

Finance Director

Sewer Loan for Street Re-pavement program

City Manager

FY 10-11 Preliminary CDC Budget

Finance Director

Public Comment

Community

City Council Comments and Direction

City Council

# Background

- In response to City's projected structural deficit, cost saving suggestions to reduce expenditures and generate revenue & expenses have been presented
  - 226 suggestions from CARE Committee
  - 81 suggestions from labor & management
  - May 25, 2010 City Manager presentation to City Council – Three Tier approach
  - City Manager's Comments

# Background

- To create ongoing personnel related savings, on May 25, 2010 City Council authorized an expenditure of up to \$1M to incentivize eligible full-time, career employees to voluntarily separate from City employment

# Managed Attrition

- Incentive Based Voluntary Separation Program - Component of Managed Attrition
- Model Program designed to create savings and eligibility will consider extent of cost savings achieved through retirement or resignation
  - Limited to employees in positions where retirement or separation results in reduction of a position or ancillary position
- **One-time** expenditure of up to \$1M
  - Eligible full-time, career employees
  - First come, first served basis

# The Program

- Voluntary Retirement Incentive Program
  - CalPers retirement with 2 years service credit purchased by City
  - Completed at least 5 years of service with City
  - At least 50 years of age
  - Subject to approval by City Manager based on achieving cost savings
  - Must voluntarily retire between June 24, 2010 and September 20, 2010 – CalPers 90 Day Enrollment Window
- Voluntary Separation Program
  - One time cash payment & one year medical benefits (employee only) purchased by City
    - Equals \$5,000 plus \$1,000 for each year of service
  - Completed at least 5 years of service with City
  - Subject to approval by City Manager based on achieving cost savings
  - Must voluntarily retire between June 24, 2010 and September 20, 2010

# Economic Impact – Cost Savings

- Limited to employees in positions where retirement or separation can result in reduction of position or ancillary position
  - City Manager determination
- Creates on-going personnel related savings
  - Savings in base salary & benefits
  - Escalating health care & retirement costs
- Assumptions: 10 employees (6 misc; 4 safety)

# Assumption Scenarios - Costs

## Purchase of Service Credit

Annual increased cost  
of plan (20 years)....\$47,061  
Retiree Medical.....\$18,360  
(annual ongoing)  
Ongoing Subtotal ..... \$65,421

Total x 20 years.....\$941,220

## Voluntary Separation Program

Buy Out.....\$328,000  
One Year Medical  
(Employee Only).....\$ 47,674

### Both Scenarios

Leave Cash Out One time Cost.....\$152,383



# Economic Impacts – Purchase of Service Credits

Ongoing Annual Costs (Plan Cost & Retiree Medical) = \$65,421

Salary & Benefits Savings = \$1,036,359

Current year savings \$970,938 minus \$152,383 (leave cash out one time cost)

Equals total current year savings = \$818,555

Future Ongoing savings = \$970,938

Will spend up to \$1M to save \$818,555 this year and future ongoing savings would be \$970,938\* annually

\* Ongoing savings realized only if the positions are not filled

# Economic Impacts - Voluntary Separation Program

**Employee Buy Out = \$328,000**  
**Plus One Year Medical**  
**(Employee Only) = \$ 47,674**  
**Plus Leave Cash Out = \$152,383**

**Equals Total One Time Cost of \$528,057**

**Salary & Benefits Savings = \$1,036,359**  
**Minus leave cash out, medical & employee buy out (one time costs)**  
**Equals Current Year Savings of \$508,302**

**Will spend up to \$1M to save \$508,302 this year and future ongoing savings would be \$1,036,359\***

**\*Ongoing savings realized only if the positions are not filled**

# Next Steps

- Adopt Resolution authorizing the City Manager to implement a one time incentive based voluntary separation program for eligible full-time, career employees of the City of National City
- Employees will be able to apply for program effective June 14, 2010
- Employee Informational Meetings have tentatively been scheduled for June 15 & 16, 2010
- Resolution to commence CalPers enrollment to City Council on June 22, 2010

Questions/Comments



General Fund  
Preliminary Budget  
FY 2010-11

# Council Directed Actions

- January 30 Midyear budget review
- February 16 Adopted midyear changes
- Feb-Mar Presentations to  
Neighborhood Councils
- April 6 FY 2010-11 Budget Update

# Key Dates

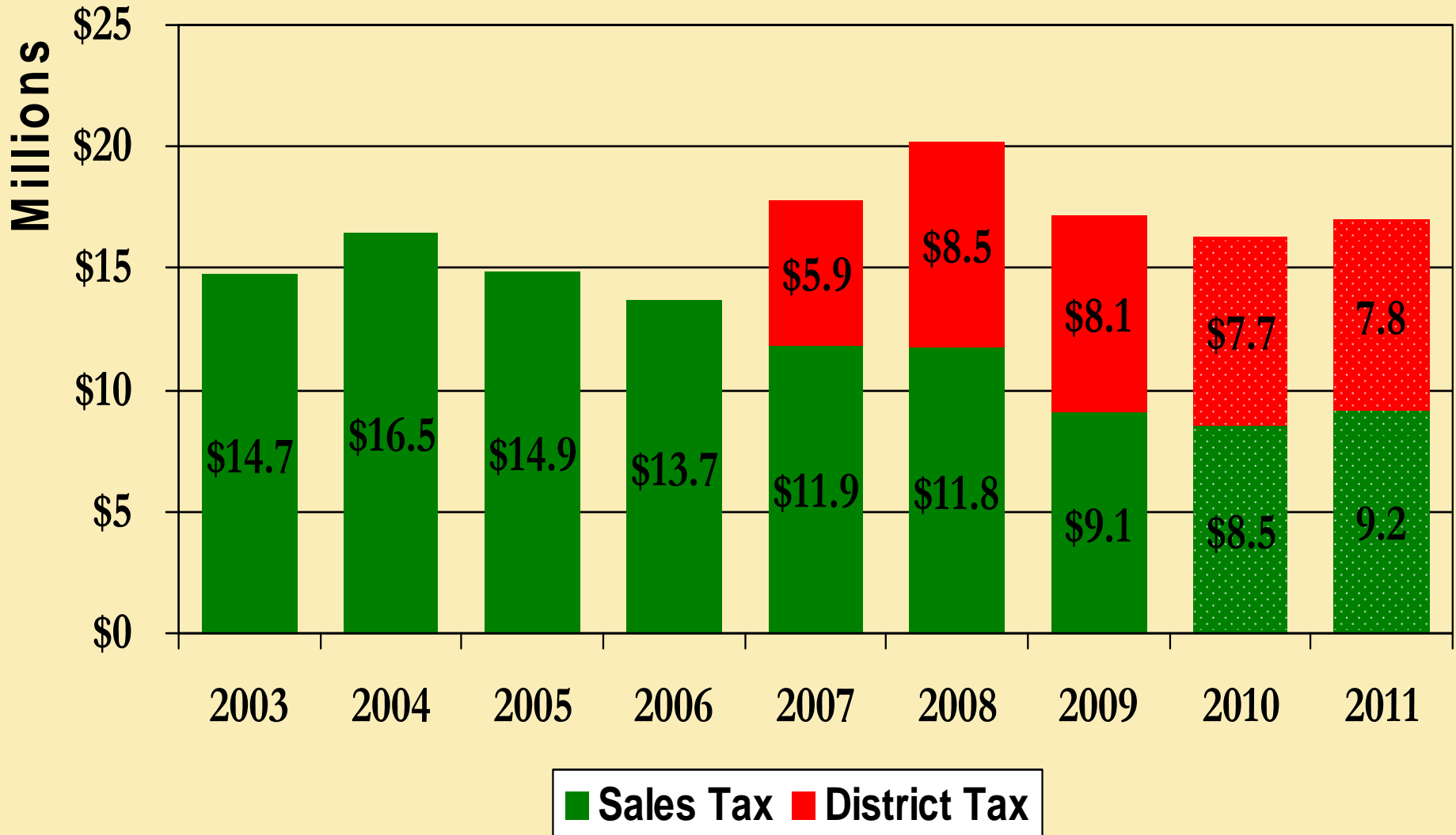
- May 11 Community Budget Workshop
- May 18 Budget update
- May 25 Budget Workshop
- June 5 Neighborhood Council Breakfast
- June 8 Budget update
- June 22 Budget Adoption
- July 1 FY 10-11 Budget available on the City's website

# FY 10-11 Preliminary General Fund

	Subtotal	Total
Estimated Revenues & Transfers in	37.0 M	
Contingency Reserve Contribution	1.0 M	
<b>TOTAL REVENUE &amp; TRANSFERS</b>		38.0 M
Estimated Expenditures & Transfers Out	\$ (37.0 M)	
Amount needed for Voluntary Separation	( 1.0 M)	
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>		(38.0 M)
Estimated Surplus/ <b>Deficit</b>	<b>BALANCED</b>	



# Sales Tax and District Tax Combined Revenue

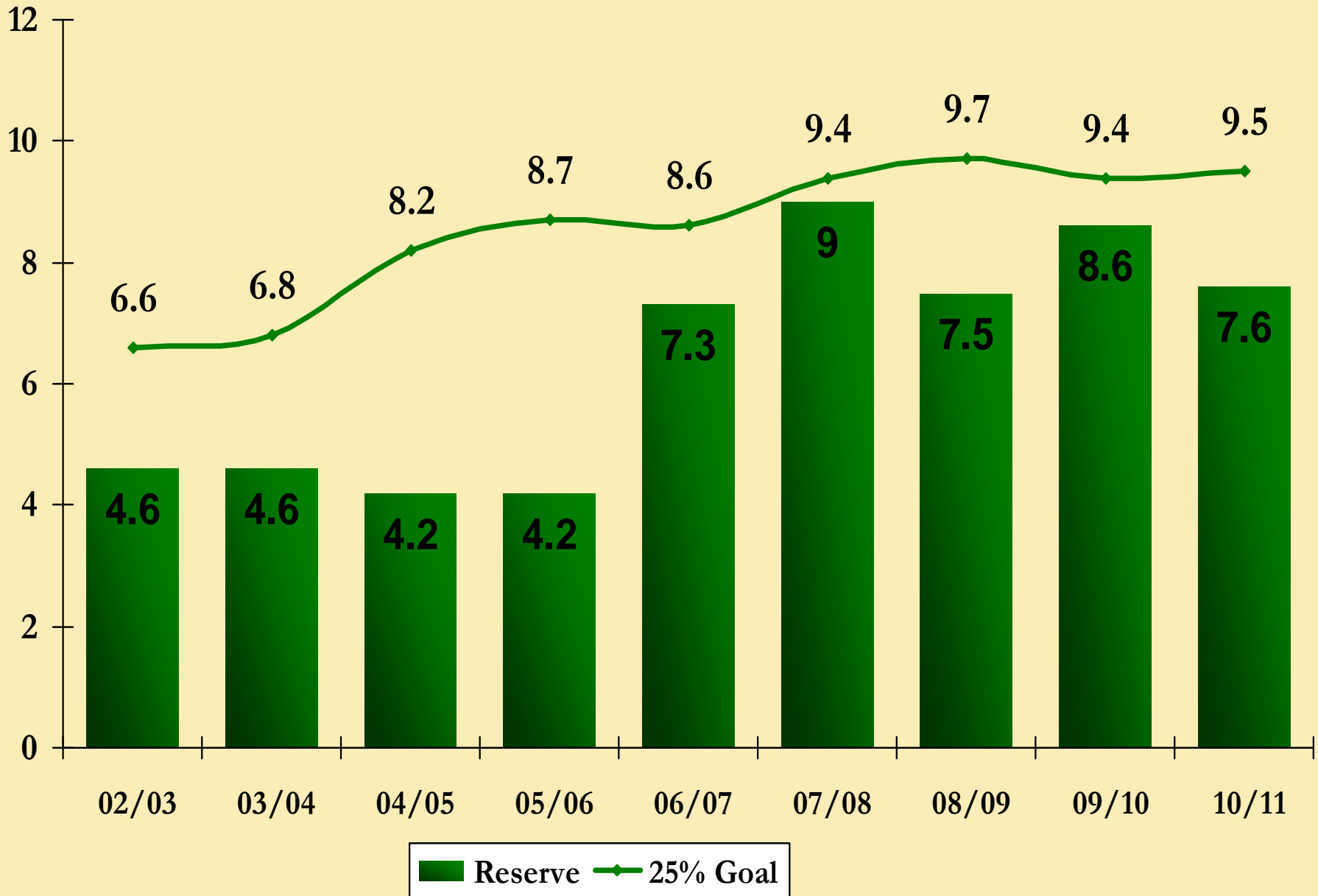


# General Fund Contingency Reserve

General Fund Policy: ... range between 25% and 50% of a single year's General Fund operating expenditures

- FY 10-11 Estimated General Fund expenditures = \$38 million
  - Reserve will be at 20%, which is \$1.9 million below target level of \$9.5 million  
( $\$38 \text{ million} \times 25\%$ )

# History of Contingency Reserve



# One Time Funding Transfers to the General Fund

Telecommunications Revolving Fund	900,000
Parks & Recreation Capital Outlay Fund	575,000
Liability Insurance Fund	400,000
General Services	200,000
General Accounting Services	200,000
Unemployment Insurance Reserve	200,000

Total transfers = \$2,475,000

# Adjustments to Internal Charges

No funding for the following:

- Office Equipment Depreciation
- Telecommunications Revolving
- Unemployment Reserve

Modified funding for the following:

- Facilities Maintenance
- Liability Insurance
- General Accounting
- General Services
- Motor Vehicle Services

Savings to the General Fund over \$800,000

# Vacant Positions Not Funded \*

Department	Position	Full-Time Equivalence	Savings
City Manager	Management Analyst III	1.00	\$94,076
	Public Information Officer	1.00	\$94,219
	Executive Assistant IV	1.00	\$84,411
	Management Intern	1.00	\$36,494
Community Services	Recreation Superintendent	1.00	\$97,557
	Administrative Secretary	1.00	\$61,220
	Food Service Worker	1.00	\$29,828
Building	Building Inspect/Plan Exam	1.00	\$87,813
	Senior Building Inspector	1.00	\$81,037
Fire	Battalion Chief (Admin)	1.00	\$139,800
	Reserve Coordinator	0.25	\$13,485

\* General Fund, Library Fund, Parks Fund & Nutrition Center

# Vacant Positions Not Funded \*

Department	Position	Full-Time Equivalence	Savings
Engineering	Management Analyst II	1.00	\$87,903
	Associate Engineer – Civil	1.00	\$85,032
	Management Intern	0.50	\$17,237
	Civil Engineering Tech	1.00	\$79,796
Library	Principal Librarian	1.00	\$107,170
	Senior Library Technician	1.00	\$64,628
Human Resources	HR Analyst	0.88	\$77,355
	Management Intern	0.44	\$15,169
Public Works	Tree Trimmer	1.00	\$60,110
	Senior Park Caretaker	1.00	\$68,374
	Seasonal Park Aide	0.50	\$13,365

\* General Fund, Library Fund, Parks Fund & Nutrition Center

# Vacant Positions Not Funded \*

Department	Position	Full-Time Equivalence	Savings
Planning	Associate Planner	1.00	\$85,032
	Senior Office Assistant	0.50	\$17,586
Police	Animal Control Officer	1.00	\$74,901
	Community Services Officer	1.00	\$62,466
	Crime Scene Specialist	1.00	\$74,913
	Police Corporal	1.00	\$133,504
	Police Records Clerk	0.98	\$34,519
Community Development	Parking Regulations Officer	1.00	\$57,678
	Code Conformance Officer	0.33	\$28,264
<b>City-Wide Unfunded Positions</b>		<b>27.38</b>	<b><u>\$2,334,942</u></b>

\* General Fund, Library Fund, Parks Fund & Nutrition Center



# Capital Improvement Projects - transfer \$165,000 to the General Fund

The following projects were approved by the CIP committee to release funding:

Library Flooring/Counter	10,000
Las Palmas Pool Elect Room	50,000
Casa De Salud Roof	15,000
Kimball Rec Roof	20,000
Kimball Park Transformer	40,000
Las Palmas Pool Drains	<u>30,000</u>
Total to General Fund	165,000
Civic Center Electric Room*	9,000

\* Recommend funds to go back to Civic Center Refurbishing Fund

# Council Priorities

- No reduction in services in the following:
  - Nutrition Center Program
  - Code Enforcement Program

# Implementation of Service Reductions

- Voluntary Separation Incentive Program
- Reduced Library Service from 7 days operation to 4 or 5 day operation
  - Requires Council Direction on phased approach
- Reduced Community Services Programs
  - Requires Council Direction on phased approach

# Police Department

- Managed attrition & retirement incentive
  - Freeze up to 10 sworn police positions over a 2 year period
- Reduce police programs such as K9, SWAT, School Resource Officers
  - Subject to labor negotiations

Assumption: \$ 800,000 department savings

# Fire Department

- Managed attrition & retirement incentive
- Fee increases and contract negotiations
- Drop to 3 fire fighter staffing level
  - Subject to labor negotiations

Assumption: \$500,000 department savings

# Public Works

- Transfer positions from GF to Restricted Funds
- Managed attrition and retirement incentives
- Reduced programs & services
  - Street sweeping
- Postpone capital projects
- Defer maintenance of equipment

Assumption: \$400,000 department savings

# Development Services

- Managed attrition and retirement incentives
- Reversal of fee rollback in Development Services

Assumption: \$400,000 department savings

# Library

- 4 or 5 day library operation
  - Service reduction in part time staff
- Managed attrition and retirement incentives

Assumption: \$200,000 in department savings



# Community Services

- Managed attrition and retirement incentives
- Close recreation centers one day a week
- Close senior center and pool on Sundays
- Reduce staffing at community events
- Reduce Neighborhood Councils program

Assumption: \$200,000 in department savings

# FY 2010-11 Budget Plan

- Staff will closely monitor the General Fund budget and will update council on budgetary goals on a quarterly basis
- Staff will recommend revisions to the budget in Mid-January
- If department savings assumptions are NOT met, there are 3 options:
  - Use contingency reserves again or
  - Service Reductions or
  - Combination of both

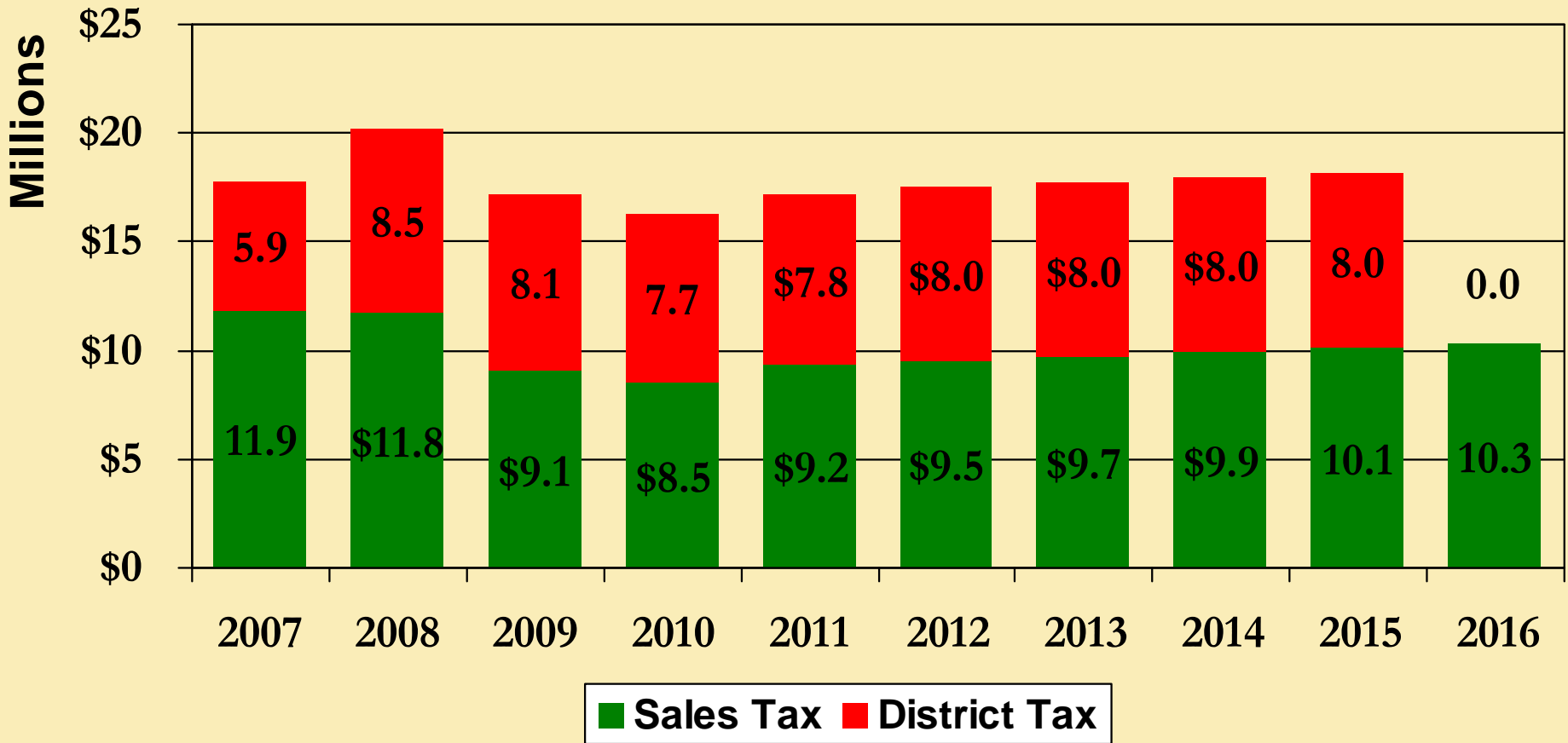
# Budget Forecasts

Description	FY 11-12	FY 12-13
Estimated Revenue *	35.4 M	36.1 M
Estimated Expenditures **	37.6 M	38.7 M
Surplus/ <Deficit>	<2.2 M>	<2.6 M>

\* Excludes one time transfers from other funds. Assumes a 2% increase in overall revenues.

\*\* Includes reallocation of overhead from General Fund to CDBG of \$500,000. Also includes subsidies to Library, Parks and Nutrition Center. Assumes a 3% increase in overall expenditures.

# Projected Sales Tax and District Tax 2016 – District Tax terminates



\*Assumes District Tax @ \$ 8 million/year and Sales Tax increase @ 2%/year

\$1.5 million loan from the Sewer  
Fund for Street Resurfacing Project

# Purpose of the \$1.5 million loan

- Continue paving program in the Neighborhoods
- Take advantage of favorable bidding environment
- Save money by fixing streets vs reconstruction
- Now is the time to continue investment in infrastructure

# FY 10-11 Street Resurfacing Funding Sources

Funding Source	Amount
Sewer Loan *	\$ 1,500,000
Prop A, Prop 1B, Gas Tax (Prop 42)	2,500,000
Safe Routes to School	200,000
Total	\$ 4,200,000

\* Subject to Council approval

# Loan Payment Schedule and available funds for street maintenance

Fiscal Year	Payment Date	Payment Amount	*Minimum Projected Remaining Funds for Maintenance
2010-2011	June 30, 2011	200,000	4.2 million program
2011-2012	June 30, 2012	250,000	250,000
2012-2013	June 30, 2013	325,000	300,000
2013-2014	June 30, 2014	350,000	900,000
2014-2015	June 30, 2015	435,865	900,000

\* Amounts will increase should Proposition 42 pass



# Terms of the \$1.5 million loan

- Repayment through Gas Tax Funds and Proposition A Funds beginning June 30, 2011 and final payment is June 30, 2015
- Interest rate is 1.3%
- General Fund will collateralize the debt

# Community Development Commission

FY 2010-11 Operating budget

# FY 2010-11 Estimated Revenues & Expenditures

Description	Revenue	Expenditures
Tax Increment (80%)	\$ 13.1 M	\$ 12.1 M
Housing Set Aside (20%)	3.1 M	1.3 M
Section 8	9.5 M	9.3 M
HOME	.7 M	.5 M
CDBG	1.4 M	1.4 M

# Council Direction

- Authorize \$1 million contingency reserve for Voluntary Separation Incentives
- \$ 1.5 million Sewer Fund loan for Street Resurfacing Project
- Approve \$165,000 CIP transfers to the General Fund
- Library operating schedule
  - 4 or 5 day operation?
- Reduction in Community Services
  - Pool closure on Sundays
  - Recreation center closure one day a week
  - Senior Center closure on Sundays
  - Neighborhood Councils program
- Development Services Fees
  - Reinstate 2008 rates or remain at 2005 rates?

# Next Steps

- June 22 Budget adoption/additional workshop
- *June 29 Budget Adoption (if needed)*
- July 1 Budget posted on the City's website
- July 30 Hard copies of the budget available in the finance department
- Mid-November First quarter update of the General Fund budget
- Mid-February Midyear General Fund Budget update