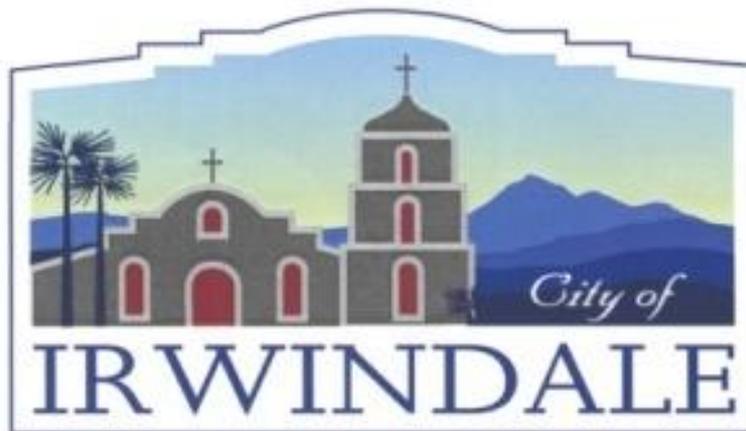


# CITY OF IRWINDALE

CITY COUNCIL BUDGET WORKSHOP

FY 2012/13



**MAY 23, 2012**

# AGENDA

- Budget Process
- City Manager Proposed Goals for FY 2012/13
- General Fund Budget
- Explanation of Changes From FY 2011/12
  - ▣ Revenues
  - ▣ Expenditures
  - ▣ Proposed Reductions by Departments
  - ▣ One-Time Items
- Structural Deficit/Effect on Reserves
- Discussion and Council Direction

# Budget Process

- Prepare Budget Calendar/ Budget Memo/ Kickoff
- Finance Department prepares Revenue Estimates
- Finance compiles Data from Department to determine surplus/deficit (Preliminary Budget is created)
- Department Budget Meetings with City Manager
- Based on results of Preliminary Budget, CM provides further instruction as deemed necessary
- Evaluate recommendations from Department – incorporate into CM Budget Recommendation

# Budget Process (Continued)

- Budget Workshop:
  - ▣ Recommendations by Departments
  - ▣ Evaluate further reductions or use of reserves to deal with Structural Deficit
  - ▣ Council Direction
- Ordinance - 1<sup>st</sup> Public Hearing 6/13/12
- Adopt budget by 6/27/12
  - ▣ Budget will be work in process beyond June 30, 2012 (ie. labor negotiations, other long-term strategies, etc.)

# CITY MANAGER'S PROPOSED GOALS FOR FY 2012/13

- Maintain core services
- With loss of 21% of workforce since FY 08/09 (25.5 FTE) - avoid additional reductions in force
- No add backs from previous budget cuts approved by City Council
  - ▣ Positions Eliminated or Frozen
  - ▣ Relates to costs that departments can control

# CITY MANAGER'S PROPOSED GOALS FOR FY 2012/13

- Meet and confer with bargaining units to seek cost savings and sustainable benefit levels:
  - ▣ Obtain City Council direction – done 5/9/12
  - ▣ Negotiations set to begin in June – challenge will be time frame – no savings until complete
- Departments to continue to look for savings where possible
- Continue to postpone equipment replacement where safe and appropriate

# CITY MANAGER'S PROPOSED GOALS FOR FY 2012/13

- Postpone general fund projects to future years where possible, fund with grants and outside agencies when available
- Continue to search for revenue opportunities through economic development and other endeavors
- Use reserves prudently

# GENERAL FUND BUDGET



OPERATING BUDGET	ESTIMATED ACTUALS FY 11/12	PRELIMINARY BUDGE FY 12/1	AFTER ADDTL % REDUCTIONS FY12/13
Revenues	\$15,283,000	\$14,151,000	\$14,080,000
Expenditures	(\$18,043,000)	(\$18,580,000)	(\$18,114,000)
<b>Structural Deficit</b>	<b>(\$2,760,000)</b>	<b>(\$4,429,000)</b>	<b>(\$4,034,000)</b>
Non-operating - one-time items	(\$168,000)	\$102,000	\$192,000
<b>Deficit After One Time Items</b>	<b><u>\$(2,928,000)</u></b>	<b><u>\$(4,327,000)</u></b>	<b><u>\$(3,842,000)</u></b>

**ESTIMATE \$21.6 M HAD THE CITY NOT MADE CUTS OVER PAST 4 YEARS**

# GENERAL FUND HIGHLIGHTS

- Revenue continues decline - \$1.2M less than FY 11-12
  - Most significant - Elimination of CRA
  - Sales Tax
- Preliminary Expenditures
  - No raises, no new personnel, no new equipment
  - Increases were mainly due to rising costs out of department's control
  - Reallocation of salaries from Special Mining and AB939 fund back to GF to correctly reflect time spent by personnel

# HIGHLIGHTS (continued)

- Labor Negotiations to begin – unknown completion date at this time (savings estimated at completion)
- CM Requested 5% reduction from departments – not all could fully comply w/o affecting programs (\$466,000 in additional savings), Another \$66,000 in suggested cuts from PD for CC consideration
- After savings noted above, City has a \$4.0M Structural Deficit (ongoing revenues less than ongoing expenditures)
- FY 12/13 Deficit after one time items is \$3.8M

# Material Reduction in Revenues

<b>2011-12 Estimated Revenues</b>	<b>\$15,283,000</b>
Estimated Revenue Increases:	
UUT Tax and Mining Tax	\$120,000
<b>Successor Agency Admin Reimbursement &amp; Residual Alloc.</b>	<b>\$437,000</b>
Estimated Revenue Decreases:	
<b>Discontinued CRA Reimbursement (\$113K reduced in 11/12)</b>	<b>(\$989,000)</b>
<b>Lower Sales Tax estimated</b>	<b>(\$280,000)</b>
Lower Police Services /No Admissions Tax – Speedway Closure	(\$125,000)
Lower Interest Income due to rates and no CRA loan	(\$146,000)
Lower fee revenues (Franchise, Planning, Penalties, etc.)	(\$109,000)
No Damage Claims or State Mandated Cost Claims	(\$40,000)
<b>2012-13 Preliminary Budget</b>	<b>\$14,151,000</b>

# Material Reduction in Revenues (Continued)

<b>2012-13 Preliminary Budget</b>	<b>\$14,151,000</b>
Additional Adjustments after CM Meetings:	
SA Oversight Board Reduction in Admin. Cost Allocation	(\$75,000)
Lease with Chamber of Commerce	(\$8,000)
Adjustments from Departments for Structural Deficit:	
Sr. Center Donations – Special Events - Dances	\$2,000
Transfers In from Assmt Districts to cover costs for services	\$10,000
<b>2012-13 Revised Revenue Estimates</b>	<b>\$14,080,000</b>

**ESTIMATED REVENUE LOSS FROM FY 2011/12 = \$1,203,000**

**\$627,000 OR 52% RELATES TO ELIMINATION OF CRA**

# Changes in Expenditures

<b>2011-12 Estimated Expenditures</b>	<b>\$18,043,000</b>
Increased costs to PERS rates	\$15,000
Increased costs for Health Insurance due to rates	\$124,000
Budget 100 max on leave payouts per MOU, employee requests up	\$43,000
Reduced personnel allocation from SM and AB939 funds	\$194,000
Increased costs for Retiree Medical and OPEB due to rates	\$140,000
Increased costs for Resident Prescription/Vision Program due to rates	\$40,000
Increased cost to Residential Trash Program (Full Year)	\$21,000
Increased costs for Utilities (Electric, Gas, Water, etc)	\$72,000
Lower costs (W/C, Liability, no election, inspection fees, legal, etc.)	(\$112,000)
<b>2012-13 Preliminary Budget</b>	<b>\$18,580,000</b>

# Dept Reductions – CM Proposed

<b>2012-13 Preliminary Budget</b>		<b>\$18,580,000</b>
City Council, City Manager and Administration (5.7% savings)		(\$156,000)
CW Maintenance & Engineering (4.93% savings w/CIP & New Rev.)		(\$48,000)
Community Development (7% savings)		(\$32,000)
Finance (5.43% savings)		(\$45,000)
Human Resources (5% savings)	<b>\$466,000 SAVINGS</b>	(\$18,000)
Legal – A&W (10% savings)		(\$13,000)
Library (5.47% savings)		(\$24,000)
Police (1.44% savings)		(\$75,000)
Recreation (5% savings)		(\$45,000)
Senior Center (2.2% savings with new donation revenue)		(\$10,000)
<b>2012-13 After % Reductions by Departments</b>		<b>\$18,114,000</b>

# OVERVIEW OF DEPT REDUCTIONS

- **CITY COUNCIL, CITY MANAGER & ADMINISTRATION (5.7% SAVINGS)**
  - TRAINING BUDGETS REDUCED OR ELIMINATED
  - REDUCED VARIOUS OPERATING SUPPLIES BUDGETS
  - REDUCED CONTRACT SERVICES
  - REDUCED CHAMBER OF COMMERCE CONTRACT
  - REDUCED I.T. BUDGET – WILL NOT REPLACE BROKEN PRINTERS
  - SAVINGS FROM CHANGING RESIDENT PRESCRIPTION PROGRAM FROM RITE AID TO WALMART

**TOTAL SAVINGS**  
**\$156,000**

# OVERVIEW OF DEPT REDUCTIONS

- ❑ **CITYWIDE MAINTENANCE & PUBLIC WORKS ENG. (4.93% SAVINGS)**
  - ❑ SUSPEND TREE REPLACEMENT ONE YEAR
  - ❑ EXTEND LANDSCAPE MAINT. SCHEDULE FROM 30 DAY CYCLE TO 45 DAYS IN SPECIFIC AREAS, ALSO OTHER SERVICES ONLY ON AN AS-NEEDED BASIS
  - ❑ DISCONTINUE MEMBERSHIP IN VARIOUS ORGANIZATIONS (IE. SGVCOG, GATEWAY CITIES, ETC.)
  - ❑ ELIMINATE NIGHT AND WEEKEND INSPECTIONS IN PUBLIC RIGHT AWAY
  - ❑ SUSPEND TRAINING ON ENVIRONMEN

**TOTAL SAVINGS  
\$48,000**

# OVERVIEW OF DEPT REDUCTIONS

- **COMMUNITY DEVELOPMENT (7% SAVINGS)**
  - ▣ REDUCED TRAINING AND MEMBERSHIP BUDGET
  - ▣ REDUCED VARIOUS OPERATING SUPPLIES BUDGETS
  - ▣ REDUCED RSG CONTRACT BY 10% - WHICH REDUCES NUMBER OF HOURS AVAILABLE BY KEN LEE FOR OVERSEEING PLANNING DEPT & ECONOMIC DEVELOPMENT
  - ▣ REDUCED OTHER PLANNING CONTRACT SERVICES – WORK TO BE PERFORMED IN-HOUSE

**TOTAL SAVINGS**  
**\$32,000**

# OVERVIEW OF DEPT REDUCTIONS

## □ **FINANCE (5.43% SAVINGS)**

- REDUCED TRAINING BUDGET
- REDUCED MEMBERSHIP BUDGET TO TECHNICAL ORGANIZATIONS
- ELIMINATED CONTRACT SERVICES FOR UUT COMPLIANCE AND OTHER REVENUE AUDIT SERVICES
- ELIMINATED BUDGET FOR STATE MANDATED COST REIMBURSEMENT SERVICES

**TOTAL SAVINGS**  
**\$45,000**

# OVERVIEW OF DEPT REDUCTIONS

## □ HUMAN RESOURCES (5% SAVINGS)

- REDUCED TRAINING BUDGET
- REDUCED VARIOUS OPERATING SUPPLIES BUDGETS
- REDUCE NUMBER OF PARTICIPANTS IN SUMMER YOUTH PROGRAM FROM 25 TO 20 (19 APPLIED THIS YEAR)
- REDUCED BUDGET FOR RECRUITMENT SERVICES
- ELIMINATE BUDGET FOR LA WO **TOTAL SAVINGS \$18,000** WILL BE DONE IN HOUSE

## □ LEGAL (10% SAVINGS)

- CITY ATTORNEY REDUCED LEGAL BUDGET BY 10%

**TOTAL SAVINGS  
\$13,000**

# OVERVIEW OF DEPT REDUCTIONS

## □ **LIBRARY (5.47% SAVINGS)**

- REDUCED CONTRACT SERVICES FOR AT-RISK RETENTION PROGRAM – REDUCED ENROLLMENT OVER PAST 3 YEARS – SUFFICIENT BUDGET FOR DEMAND
- REDUCED CONTRACTED INSTRUCTORS BUDGET – WILL USE STUDENT TEACHERS AT \$12 PER HOUR FOR HOMEWORK HELP VERSUS \$32 FOR CREDENTIALLED TEACHERS. CREDENTIALLED TEACHERS WILL BE USED FOR ADVANCED TUTORING.

**TOTAL SAVINGS**  
**\$24,000**

# OVERVIEW OF DEPT REDUCTIONS

## □ **POLICE DEPARTMENT (1.44% SAVINGS)**

- ▣ REDUCED TRAINING AND MEMBERSHIP BUDGET
- ▣ REDUCED VARIOUS OPERATING SUPPLIES BUDGETS
- ▣ REDUCED FUEL BUDGET – TURN OFF VEHICLES WHEN PARKED – NO IDLING TO CUT DOWN ON COSTS
- ▣ REMOVED BUDGET FOR LEGAL COSTS ASSOCIATED WITH INTERNAL INVESTIGATIONS
- ▣ REDUCED VEHICLE MAINTENANCE COSTS – PURCHASE OF NEWER VEHICLES WITH ASSET FORFEITURE FUNDS
- ▣ ELIMINATE COMMUNITY POLICING PROGRAM

**TOTAL SAVINGS**  
**\$75,000**

# OVERVIEW OF DEPT REDUCTIONS

- **RECREATION DEPARTMENT (5% SAVINGS)**
  - REDUCED TRAINING AND MEMBERSHIP BUDGET
  - REMOVE BUS MAINTENANCE CONTINGENCY
  - ELIMINATE EARTH DAY EVENT – LOW PARTICIPATION
  - REDUCED VARIOUS OPERATING EXPENSE LINE ITEMS – REMAINING BUDGET SHOULD BE SUFFICIENT TO COVER CURRENT LEVELS (IE. UNIFORMS, SPECIAL ACTIVITIES, FIELD TRIPS, ETC.)
  - NO NEW CLASSES – WILL MAINTAIN CURRENT CLASS SCHEDULE
  - REMOVE SPARKLETTS WATER SERVICE AND MACHINES

**TOTAL SAVINGS**  
**\$45,000**

# OVERVIEW OF DEPT REDUCTIONS

## □ **SENIOR CENTER (2.2% SAVINGS)**

- REDUCED TRAINING AND MEMBERSHIP BUDGET
- REDUCED OFFICE SUPPLIES
- ELIMINATE COLOR COPIER LEASE
- ELIMINATE SPARKLETTS WATER SERVICE
- REDUCED CONTRACT SERVICES FOR HAIRSTYLING—  
REMAINING BUDGET SHOULD BE SUFFICIENT TO  
COVER CURRENT LEVELS OF USEAGE

**TOTAL SAVINGS**  
**\$10,000**

**TOTAL REDUCTIONS BY DEPARTMENTS = \$466,000**

# Additional Savings submitted by Dept - for City Council Consideration

**Police Department** (Total Budget after 1.4% cuts noted above equals \$5,862,000)

- To obtain additional savings, Department submitted the following for consideration:

Suggestion	Amount	Description
Eliminate Canine Program	\$25,000	Special Assignment Pay, OT, Supplies
Eliminate Traffic Safety Program	<u>\$41,000</u>	Special Assignment Pay, OT, Supplies
TOTAL ADDITIONAL SAVINGS	<u>\$66,000</u>	
Additional Savings	1.1%	
Total Proposed Savings from Police Dept	2.5%	

# Non-Operating / One Time Items

## Revenues & Expenditures

	Est. Actual FY 11/12	Prelim. Budget FY 12/13	After Additional % FY 12/13
Huy Fong In Lieu Payment (2 <sup>nd</sup> of 10 yrs)	\$250,000	\$250,000	\$250,000
CIP Contributions/Grants	\$1,063,000		
Operational Grant – State			\$38,000
CIP- Street/Traffic Improvements	(\$1,202,000)	(\$78,000)	(\$78,000)
Bldg Improvement – EOC	(\$19,000)		
Storm Improvements	(\$260,000)	(\$52,000)	DEFER 1 YR
CJPIA Required Improvement		(\$18,000)	(\$18,000)
<b>NET NON-OPERATING (ONE TIME)</b>	<b><u>(\$168,000)</u></b>	<b><u>\$102,000</u></b>	<b><u>\$192,000</u></b>

# GENERAL FUND BUDGET

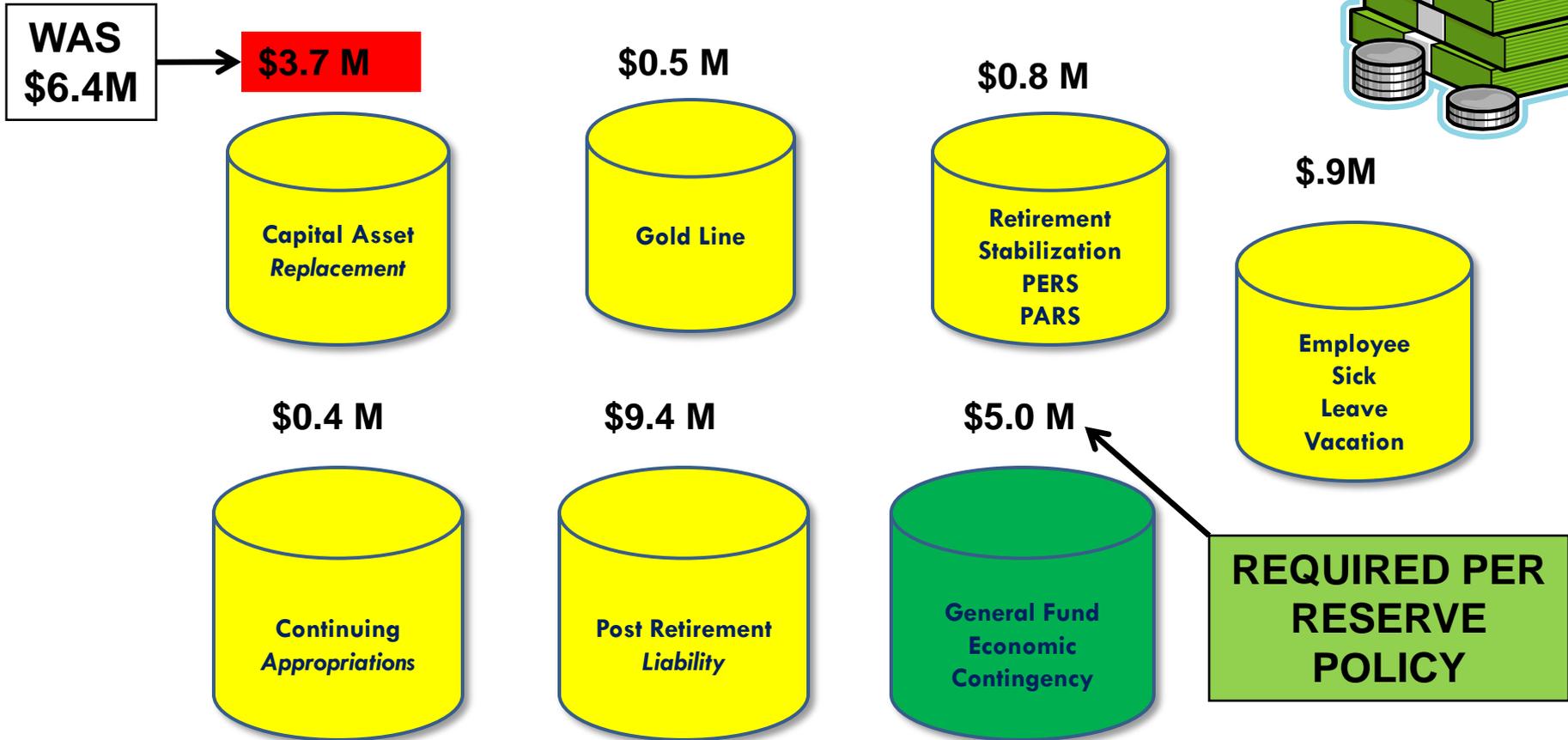
## FY 2012/13



<b>OPERATING BUDGET</b>	<b>ESTIMATED ACTUALS FY 11/12</b>	<b>PRELIMINARY BUDGET FY 12/13</b>	<b>AFTER ADDTL REDUCTIONS FY12/13</b>
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Expenditures	(\$18,043,000)	(\$18,580,000)	(\$18,114,000)
<b>Structural Deficit</b>	<b>(\$2,760,000)</b>	<b>(\$4,429,000)</b>	<b>(\$4,034,000)</b>
One-time items	(\$168,000)	\$102,000	\$192,000
<b>Projected Deficit</b>	<b><u>\$(2,928,000)</u></b>	<b><u>\$(4,327,000)</u></b>	<b><u>(\$3,842,000)</u></b>
<b>EST. GF CONTINGENCY RESERVE</b>	<b><u>\$6,099,000</u></b>		<b><u>\$5,000,000</u></b>
<b>EST. OTHER GF RESERVES</b>	<b><u>\$18,401,000</u></b>		<b><u>\$15,660,000</u></b>

**\$20.7M  
TOTAL**

# Estimated General Fund Reserves – 6/30/13



**TOTAL \$20.7 MILLION**

# MAGNITUDE OF STRUCTURAL DEFICIT

	FY 12/13 YR 1	FY 13/14 YR 1	FY 14/15 YR 1
<b>ESTIMATED STRUCTURAL DEFICIT</b>	<b>(\$4,034,000)</b>	<b>(\$4,034,000)</b>	<b>(\$4,034,000)</b>
ASSUME CC APPROVES DEPT ADDITIONAL SUGGESTIONS	\$66,000	\$66,000	\$66,000
ASSUME SAVINGS FROM LABOR NEGOTIATIONS – GUESSTIMATE	\$450,000	\$1,100,000	\$1,100,000
ASSUME ANNUAL OPERATING COST INCREASE – ESTIMATE 4% PER YR	0	(\$727,000)	(\$756,000)
ASSUME NO NEW REVENUES – NONE FORESEEN	0	0	0
<b>ESTIMATED STRUCTURAL DEFICIT AFTER ASSUMPTIONS</b>	<b>(\$3,518,000)</b>	<b>(\$3,595,000)</b>	<b>(\$3,624,000)</b>
<b>ESTIMATED REMAINING RESERVES</b>	<b>\$20,982,000</b>	<b>\$17,387,000</b>	<b>\$13,763,000</b>

**ESTIMATED REDUCTION OF RESERVES OVER 3 YEARS = (\$10,737,000)**

# DEALING WITH STRUCTURAL DEFICIT

## **NO ONE SOLUTION WILL SOLVE THE STRUCTURAL DEFICIT – VARIOUS SOLUTIONS ARE NEEDED:**

- ▣ New revenue sources
- ▣ Negotiations with Unions (to begin in June)
- ▣ Pursue Combined Efforts with other agencies for Cost Savings
- ▣ Reduce City Programs and Services
- ▣ Use Reserves Prudently in the Meantime
  - (Est. Reserves as of 7/1/12 = \$24.5M)
  - Loan Repayment to GF from CRA before dissolution = \$6.6M  
(DOF is questioning all transfers – keep Council informed)



**DISCUSSION  
&  
COUNCIL  
DIRECTION**