

**2007-2009
Mid-Biennium
Budget Update**

**La Mesa City Council
June 24, 2008**

Background

- Final Two year 2007-2009 Budget adopted September 2007
- Mid-Biennium Update provides an opportunity to adjust the adopted 2008-2009 Budget

Overall Changes

■ Total Budget

- Adopted budget = \$93.2 million
- Amended budget - \$149.2 million
 - Most of increase due to CIP carryforwards/new projects
 - Other increases due to carryforward of housing monies, fuel cost increases, and General Fund carryforwards

General Fund Changes

■ Revenues

- Revised based on actual 2007-2008 collections and current economic information
- Revised based on Council adopted Fee Schedule and new service demand projections

General Fund Changes (Cont'd)

■ Revenues (Cont'd)

- Adopted budget = \$31.6 million
- Amended budget = \$30.3 million
 - Lower property tax growth
 - Lower sales tax projection
 - Lower development related fees and charges for services
 - Other minor changes
 - Does not include any additional state takeaways being discussed in Sacramento

General Fund Changes (Cont'd)

■ Expenditures

- Adopted budget = \$36.4 million
- Amended budget = \$36.5 million
 - No new positions or general salary adjustment budgeted
 - Salaries lower due to position elimination and new hire savings
 - Carryforward funding for specifically budgeted projects
 - Fuel cost increases

General Fund Changes (Cont'd)

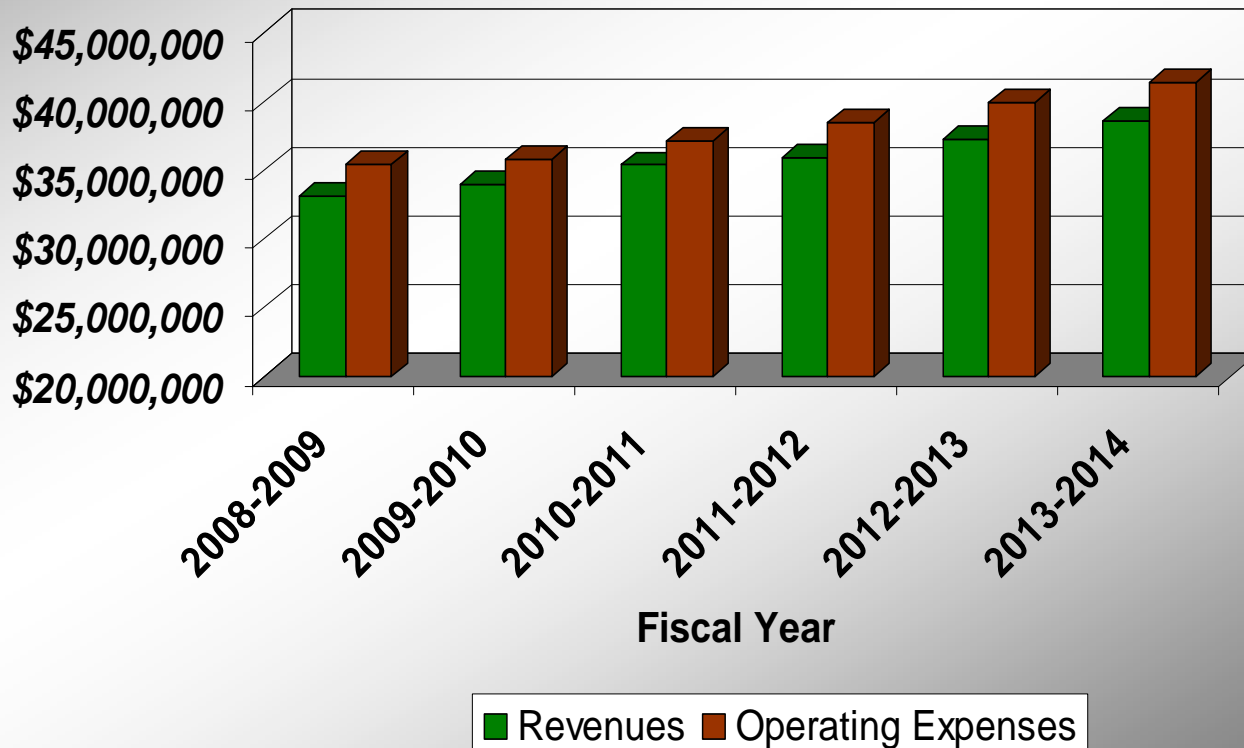
■ Ending Reserves

- Incorporated new revenue and expenditure estimates
- General Fund reserves expected to end this year below 15% target and dip close to zero without any actions next year

Defining the Structural Budget Deficit

2008-2014 General Fund Financial Forecast Revenues and Operating Expenses

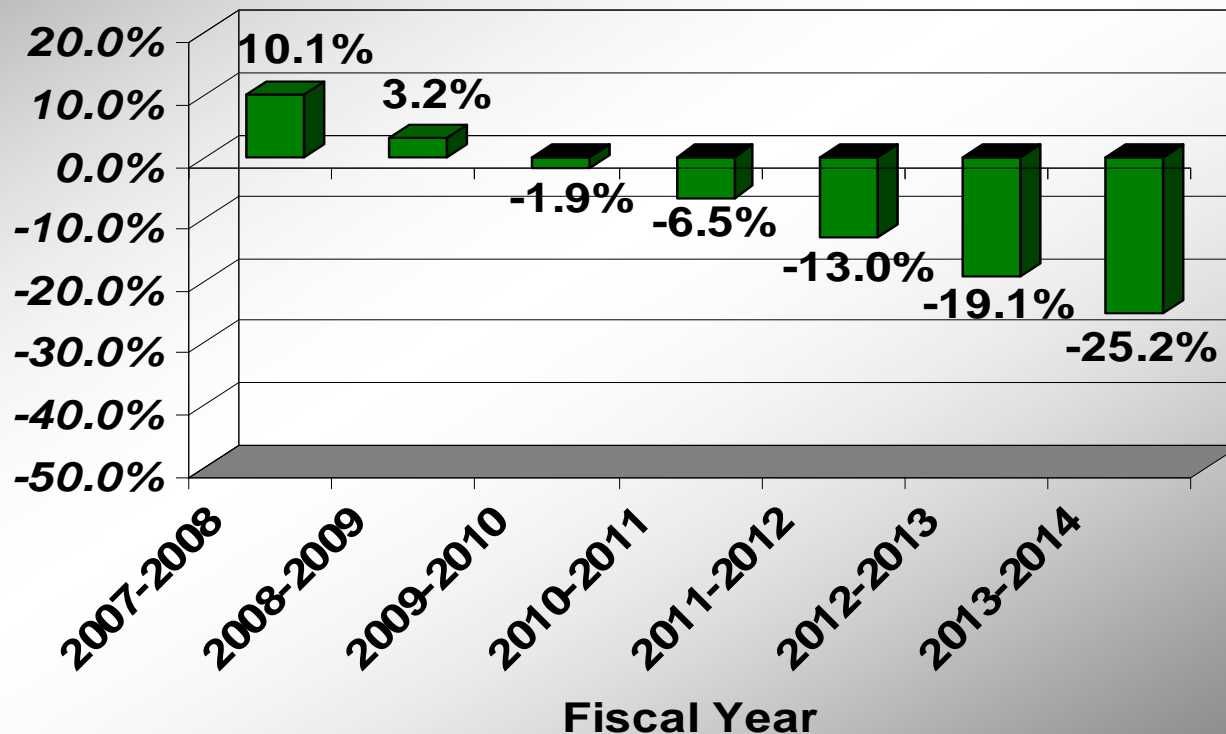
Mid-Biennium Update Scenario



Impact on Reserves

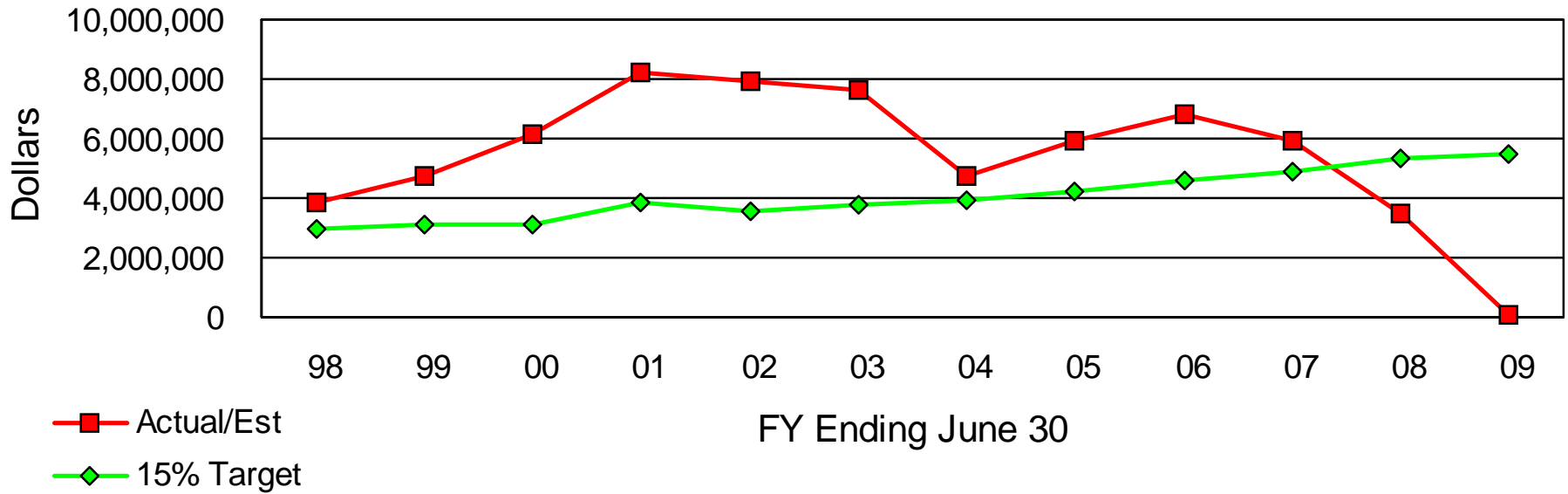
2008-2014 General Fund Financial Forecast Ending Reserves As % of Operating Expenses

Mid-Biennium Update Scenario



Historical Reserve Levels

General Fund Reserves
1997-1998 through 2008-2009 (Est)



Balance Budget: Actions Taken

- Contracted Services
- Eliminated/Restructured Positions
- New Staffing Model for Fire Suppression
- Service Fee Adjustments
- Offered for Sale City Property
- Public/Private Partnerships
- Economic Development Activity

Balance Budget: Actions Taken Cont.

- Repayment of General Fund Loan to the Redevelopment Agency (one-time)
- Capital – Grants/Low Interest Loans/Non-Profit Foundation

Actions to Be Taken

- **Hiring Freeze** (except Police Officers and Non-General Fund supported positions)
- **No Travel/Training/Conferences** (unless reimbursed by Non-General Fund sources)

Options for Balancing General Fund Budget

- Reduce Cost of Services
- Reduce Services
- Increase Revenue

Reduce Cost of Services

- Contract Out Services
- Reduce Salary and Benefits
 - Collective Bargaining Process
 - Salary at or near bottom
 - Benefits
 - Retirement
 - Social Security
 - Health
 - Car Allowance
 - Post Retirement

Reduce Cost of Service Cont.

- Retirement
 - Police and Fire: PERS 3% at 50
 - Miscellaneous: PERS 3% at 60
- Other Agencies In San Diego County
 - Public Safety:
 - All 18 cities 3% at 50
 - 13 Cities pay 100% of the Cost
 - Employee cont. range 1% - 9.02%
 - Miscellaneous:
 - 10 cities 3% at 60
 - 4 cities 2.7% at 55
 - 3 cities 2.5% at 55
 - 1 city 2% at 55
 - 10 cities pay 100% of the cost
 - employee cont. range 1% - 8.68%

Reduce Cost of Service Cont.

- Retirement Cost

- Total PERS Cost \$5,422,520

- Employer Contr. \$3,621,160

- Employee Contr. \$1,801,360*

- * (City paid)

(Each 1% employees paid would save the City \$190,000)

Reduce Cost of Service Cont.

- Social Security
 - 3 Cities (Coronado, Imperial Beach and La Mesa) (Misc. Only)
 - Costs City \$474,550 (6.2% of salary)
 - Employees pay like amount
 - All Cities Pay Medicare (All)
 - Costs City \$226,130 (1.45% of Salary)
 - Employees pay like amount
 - Total City FICA Cost \$700,680
 - Total Employee FICA Cost \$700,680

Reduce Cost of Service Cont.

- Health

- CalPERS Health
- City: \$912/Month – EE + 2
- Median SD: \$871/Month – EE + 2
- Broker tested market for new coverage
- No proposals received

- Post Retirement

- CalPERS Requires Min. Cont. to Retiree Health of \$97/month
- Currently 87 retirees participate (less than 1/2 of retirees)
- Only Post Retirement Benefit Offered

Reduce Cost of Service Cont.

- Car Allowances

- General Fund \$74,150
 - \$21,610 Council
 - \$52,540 Staff
- All cities provide
- La Mesa rates in mid-range

Reduce Services

- March 18 City Council Strategic Planning Workshop
- Balance \$4 million Structural Deficit
 - Cut costs by reducing services
 - 10% reduction in all departments
 - Eliminate 35 positions
 - Cut services and supplies

Reduce Services Cont.

- Impacts due to Reduction of 35 positions
 - Increased response times for Police and Fire
 - Reduction in Traffic Enforcement and Police Investigative Services
 - Close Fire Station
 - Close Municipal Pool
 - Increase time for Plan Review and Building inspection/Elimination of over the counter approvals
 - Reduced maintenance of green space

Reduce Services Cont.

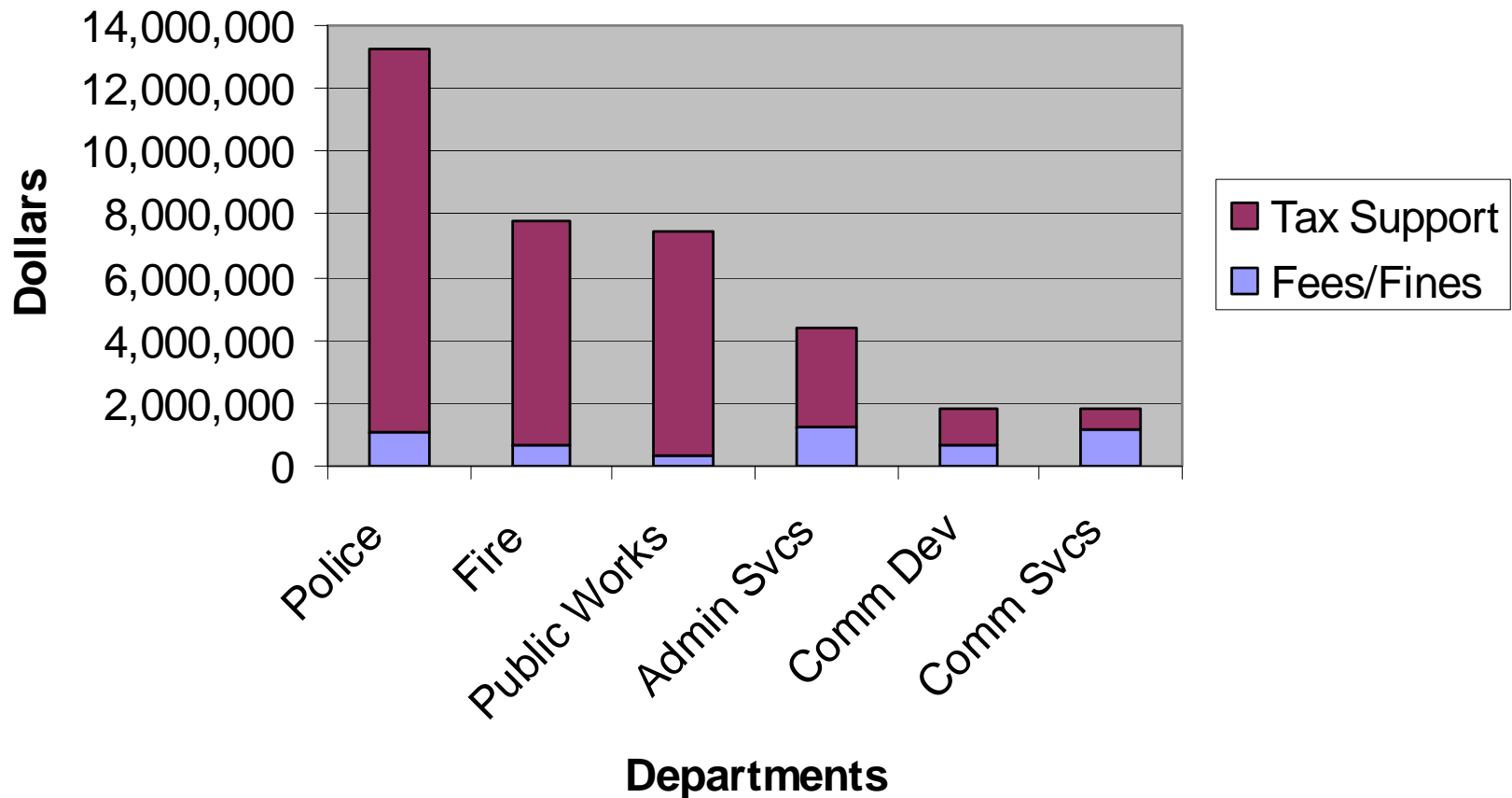
- Eliminate daily trash collection in parks and park restroom maintenance
- Less timely customer service
- No ability to address special issues/projects in a timely manner
- Targets for Action to be reduced significantly

Reduce Services Cont.

- 20% and 30% cost reductions in non-safety departments
 - Eliminate complete service areas
 - Unable to meet State mandates
 - Unknown increased liability Costs

Relationship Between Revenues and Expenditures

General Fund Expenditures By Department 2008-2008



Increase Revenue

- History of civic engagement (Community Summits, Town Hall Meeting, and Customer Service Surveys)
- Allocation of resources and development of Targets for Action based on community input
- New revenue enhancement opportunities were discussed at four Council meetings starting in September 2007
- City Council evaluated 35 revenue enhancement options
- Completed Customer Satisfaction Survey, including community input on potential Vital City Services Measure

Increase Revenue Continued

- Created Council Ad-Hoc Sub-Committee
- Seek further community Input on a possible Vital City Services Measure
- Over 40 Community presentations given
- 1,500 mailers received on the community's Service Priorities and Needs
- Citizen Advisory Committee
- All community Input will be provided to the City Council on July 22.
- City Council will decide at that time if a measure will be placed on the ballot in November 2008 to ask voters if they want to increase sales tax to fund Vital City Services

Ending Reserves/Cash Flow

- Ending Reserves June 30 2009 - \$37,160
- Ending Reserves assuming 3% Under Expenditure - \$1,132,990
- Additional savings to accrue with actions to be taken
- Ending Reserves will likely be 3%-5% of operating expenditures at June 30, 2009

Ending Reserves/Cash Flow Cont.

- The Following Actions will be taken to Preserve Cash Flow
 - Expenditure controls
 - Liquidity of funds
 - Hold one-time monies
 - Borrow against other City Funds
 - Delay capital equipment purchases
 - Pull back General Fund CIP monies

Ending Reserves/Cash Flow Cont.

- These are temporary fixes
- Budget deficit must be addressed
- Replenish Reserves to 15% target

Conclusions

- Continues funding for Vital City Services at existing service levels by using one-time reserves
- Supports 2007-2009 Targets for Action
- Must take action to resolve structural budget deficit as reserves exhausted in 2009-2010

Questions???