

**REPORT TO THE
CITY COUNCIL AND
MEASURE V COMMITTEE**
City of Salinas, California

Agenda Item Number

JT, CC/MEAS.V

DATE: January 27, 2009

FROM: Artie Fields, City Manager
Tom Kever, Finance Director

SUBJECT: **GENERAL FUND & MEASURE V BUDGET
REDUCTIONS RECOMMENDATIONS-FY 2009-10**

Department Director Approval

Finance Director Review

City Attorney Review

City Manager Approval

RECOMMENDATION:

No action required. This item is for information only.

DISCUSSION:

Introduction

Like all local agencies through out the State, the City of Salinas is facing significant budget shortfalls, due to the current recession. The recession has caused a significant reduction in sales taxes, Measure V taxes, property taxes and building fees. These combined revenue sources represents over two-thirds of the City's discretionary revenue. General Fund revenues are down 14.2% from projections made in FY 2007-08. Measure V revenues are down 14.6% from projections made in FY 2007-08.

General Funds and Measure V Funds are used to pay for most City services, including Public Safety, Library, Recreation, Maintenance, Planning, Building and other services. The significant reductions in these major revenue sources have contributed to a projected \$12.6 million General Fund shortfall in next year FY 2009-10. In order to address the shortfall, it is recommended that the City Council consider; reducing operational expenditures, request employee concessions, and re-appropriate Measure V Funds. To achieve the necessary operational reductions, Department Directors were asked to present 10% budget cuts. Unfortunately, it soon became apparent that an across the board 10% reduction could not be accomplished without layoffs and affecting City Council priorities. After many meetings and discussions, staff is recommending overall budget reductions of 5.4%, with individual departmental reductions ranging from 28.8% to 3.0%. These reductions do not require layoffs. The General Fund shortfall, after these operational reductions, in the second year of the City's two-year budget cycle (FY 2010-11) is \$16.2 million. To resolve the remaining budget shortfall without layoffs and major service level reductions, employee concessions are needed. If concession bargaining is not successful, layoffs will be required.

Sales Tax (About one-third of General Fund Revenue)

The City receives 1.5% of the 7.75 % sales and use tax collected on retail sales. One-percent (1%) of the sales tax is credited to the General Fund and the one half-percent (0.5%) use tax is credited to the Measure V Fund.

FY 2008-09 sales tax was estimated at \$24.1 million, which is 8.7% or \$2.1 million below original estimates. Sales Tax collected by business group is approximately as follows: Fuel and Service

Stations (22%), Consumer Goods (22%), Autos and Transportation (19%), Business and Industry (14%), Building and Construction (9%), Restaurants (8%) and Other (6%).

Sales tax has declined six consecutive quarters beginning in April 2007 and is expected to decline the next two quarters ending December 2008 and March 2009. This is a continuing pattern as the City's FY 2007-08 sales tax receipts declined 4.0% or a decline of \$989,619 from collections in FY 2006-07.

HdL, the City's sales tax consultants/auditors, estimate that sales tax receipts for the 4th quarter 2008 (October through December) will decline 11.50% and sales tax receipts for the 1st quarter 2009 (January through March) will decline 5.0%. These declines are predicted because automobiles are not selling, fuel prices are down and consumer spending continues to decline.

Sales tax performance (bold) and estimates (un-bold) are as follows:

Year	1st	2nd	3rd	4th
	Quarter	Quarter	Quarter	Quarter
	Jan. to March	April to June	July to Sept	Oct to Dec
2006	0.80%	5.10%	2.73%	2.30%
2007	4.30%	-2.45%	-5.30%	-2.31%
2008	-6.20%	-3.47%	-3.73% (1)	-11.50%
2009	-5.00%	0.00%	0.00%	0.00%
2010	0.00%			

Sales tax receipts will have declined each quarter for a two-year period. The question is "where is the bottom?"

HdL provided revised sales tax estimates for FY 2009-10 on January 21, 2009. Sales tax declines are predicted as follows: Fuel and Service Stations down 25% (\$900,000), Autos and Transportation down 10% (\$300,000), Consumer Goods down 2% (\$100,000) and Building and Construction down 5% (\$50,000). Expected sales tax declines in FY 2009-10 total \$1,350,000.

Overall, the City's annual sales tax estimates for FY 2009-10 is reduced \$5.8 million from projections made in April 2007 (prior to the recession).

Property Tax (About one-third of General Fund Revenue)

The City's property assessed value growth for property tax collections was 10.7% for FY 2004-05, 12.9% for FY 2005-06, and 12.7% for FY 2006-07. The City's property tax growth reflects tax reassessments with the continued buying and selling of existing homes during those years. As anticipated, property assessed value increases slowed to 7.3% for property tax collections in FY 2007-08.

The amount of property tax the City will receive in FY 2008-09 is determined on assessed property values and growth in FY 2007-08. On August 7, 2008, the Monterey County Assessor reported that the City's assessed value for FY 2007-08 declined 5.1%. The decline is the result of Proposition 8 that requires counties to revalue properties when property values are rapidly declining. The Monterey County Assessor devalued about 13,500 properties countywide (most of the properties in Salinas). This is a statewide issue, as county assessors implement Proposition 8. The result of this devaluation to the City's property tax revenue is significant. The City's FY 2008-09 property tax revenue estimate will be reduced \$1.9 million (from \$27.1 million to \$25.2 million). Additionally, with the continued

decline of housing prices since January 1, 2008, the Monterey County Assessor estimates an additional 5% property tax decline in FY 2009-10. This decline is in addition to the 5.1% decline in FY 2008-09. The City's revised FY 2009-10 property tax estimate is \$24.5 million, down \$4.1 million from original budget estimates.

Overall, the City's annual property tax estimates for FY 2009-10 is reduced \$5.2 million from projections made in April 2007 (prior to the housing downturn).

Plan Check Fees and Building Permits

Plan check fees collections have declined as follows: FY 2006-07 actual collections of \$901,238, FY 2007-08 actual collections of \$505,531 and FY 2008-09 revised estimate of \$300,000, a decline of 40% from the prior year.

Building permit collections have declined as follows: FY 2006-07 actual collections of \$1,172,603, FY 2007-08 actual collections of \$731,916 and FY 2008-09 revised estimate of \$500,000, a decline of 32% from the prior year.

FY 2008-09 revenue estimates for plan check fees and building permits are reduced \$500,000 or about 40% from original estimates. Building related fees are projected to remain flat in FY 2009-10.

Vehicle License Fees (VLF)

In November 2003, Governor Schwarzenegger reduced VLF by 67% and reimbursed local governments by a reallocation of property tax distributions. Now, 67% of the City's VLFs are distributed with property taxes. The remaining VLF (33%) is collected by the Department of Motor Vehicles (DMV) and distributed based on population.

DMV administrative costs are deducted from the remaining 33% VLF collections. DMV costs continue to erode this revenue source. Additionally, vehicle license fees paid with the purchase of new automobiles are down. Distributions of the City's remaining VLF (33%) have declined as follows: FY 2006-07 actual distributions were \$1,040,841, FY 2007-08 distributions were \$667,571 and FY 2008-09 revised estimated distributions are \$500,000, a decline of 25% from the prior year.

FY 2008-09 revenue estimates for vehicle license fees are reduced \$300,000 to \$500,000. Vehicle license fees are projected to remain flat in FY 2009-10.

General Fund Projected Budget Gap

The declines in Sales Tax, Property Tax, Building Fees and Vehicle License Fee revenues and impacts to the City's budget is serious and will take immediate action to keep the City solvent.

The current fiscal year (FY 2008-09) projected budget gap (expenditures exceed revenues) is \$10.6 million. The current fiscal year gap is being paid using reserves. General Fund reserves will decline to \$1.8 million at June 30, 2009.

Budget balancing solutions must be approved now and implemented no later than July 1, 2009. Without budget balancing solutions (if nothing were done), assuming a \$2.0 million carryover (budget savings) from FY 2008-09, General Fund reserves to end FY 2009-10 are projected to be a negative \$12.6 million. Obviously this cannot occur. **(Attachment 1)**

Expense Reductions this Fiscal Year 2008-09

General Fund projections assume a \$2.0 million carryover (budget savings) this fiscal year. To insure these savings are achieved staff has reduced all City departmental budgets to FY 2007-08 expenditures levels. The values of these reductions are for the General Fund (\$1.8 million) and for the Measure V

Fund (\$381,400). Additionally, staff has delayed a variety of current year Gas Tax projects (\$781,200) and these funds will be used to reimburse the General Fund for street related expenditures.

Staff is managing vacant positions with a selective hiring freeze. There are 25 General Fund vacant positions with a value of about \$3 million. Some of these savings will be used to fund police overtime, as necessary, to combat "spikes" in violent crime. The Police Department is making every attempt to keep overtime costs to a minimum, without jeopardizing public safety.

Staff has implemented various employee costs saving ideas, some examples include: limiting travel and training, reducing the use of paper, keeping lights turned off, outsourcing services (parking citations), identifying unlicensed businesses, reinstating City booking fees, providing for credit cards payments, and reducing the use of colored paper.

Three Phase Budget Balancing Solutions

Phase 1: Staff has identified fee increases, reductions to General Fund subsidies, capital project reductions, and operating budget reductions that do not require layoffs of permanent City employees. **(Attachment 2)**

Phase 1 solutions reduces next years (FY 2009-10) reserve shortfall from \$12.6 million to \$5.5 million. The reserve shortfall in the second year of the City's two-year budget cycle (FY 2010-11) is reduced to \$16.2 million. **(Attachment 3)**

Phase 2: Revised sales tax estimates for FY 2009-10 provided by HdL on January 21, 2009, confirm that in addition to 10% pay reductions for all employee groups, deferral of future salary increases are needed for the next two-years. The 10% pay reductions maybe achieved using a combination of salary and benefit reductions. All employee groups are asked to participate. Beginning in September 2008, the City Manager began meetings with all employee bargaining group leaders as well as employee briefings at large to inform them of the City's financial situation.

Employee concession bargaining must be concluded during March 2009, in time to make further budget reductions, including layoffs, if required.

Employee concessions (10% pay reductions/defer future salary increases) reduces next years (FY 2009-10) reserve shortfall (after Phase 1 solutions) from \$5.5 million to a positive \$1.1 million. The reserve shortfall in the second year of the City's two-year budget cycle (FY 2010-11) is reduced from \$16.2 million to a shortfall of \$2.1 million. This remaining shortfall would be managcable and could be resolved with longer-term cost savings/revenue enhancing ideas and stewarding future vacancies. This assumes the economic decline bottoms out during late-2009. **(Attachment 4)**

SEIU Crew Supervisors have indicated that the bargaining unit is willing to take the two furlough days per month (a 10% reductions in pay and defer cost of living increases provided in their MOU), with the understanding that the rest of the City's bargaining units are included as well. Crew Supervisors agree to work out the furlough day assignments with their Department Director.

Staff and Council's Finance Committee meet at least twice per month (and more often as required) to discuss the fiscal challenges facing the City. The Finance Committee agrees that to resolve the remaining budget shortfall without layoffs and major reductions in service levels, ten (10%) percent employee concessions (10% pay reductions/defer future salary increases) for all employee bargaining groups are needed for the next two-years. All employee groups are asked to participate.

Phase 3: This phase is dependant on the out come of employee concession bargaining.

For example, if employees decided not to participate in concessions. After Phase 1 solutions are implemented (fee increases, reductions to General Fund subsidies, capital project reductions and operating budget reductions that include the elimination or freezing of 23 vacant City positions) next years (FY 2009-10) reserve shortfall is \$5.5 million. The reserve shortfall in the second year of the City's two-year budget cycle (FY 2010-11) is \$16.2 million. **(Attachment 3)**

In addition to Phase 1 solutions/reductions, budget reduction totaling at least \$5.5 million would have to be implemented July 1, 2009. Additional budget reductions of at least \$5.2 million would have to be implemented July 1, 2010. Additional budget reductions of \$10.7 million would require significant reductions in all City Departments and services including Public Safety and Libraries and the layoff of over one hundred (100) City employees.

A historical note: During the last budget crisis (FY 2003-04 through FY 2005-06), the City eliminated 123 positions. The current budget crisis is similar in magnitude, and without employee concessions, about 123 positions will be eliminated or frozen (23 vacant and 100 filled positions).

Phase 1 Budget Balancing Solutions

Fee Increases: Staff is working on a complete review of City fees (charges for service). Salinas' fees are being compared with other comparable cities to identify existing fees that may need to be increased or new fees that should be added. The projections assume a 5% increase in all fees (\$185,000). Other revenue increases included in the projections include; a 3.66% discount with the prepayment of the City's PERS retirement premium (\$56,900), re-bidding the City's towing franchise (\$200,000), resume charging a City booking fee, the City now has the cooperation of Monterey County Courts (\$75,000) and lease out Wells Fargo office space (\$80,000). New and increased fees will be brought to City Council at its meeting on April 28, 2009.

General Fund Subsidies: Staff continues to review services that are subsidized by the General Fund. The projections include; increasing the annual Gas Tax transfer to reimburse the General Fund for street related expenditures (\$775,000), eliminating the General Fund subsidy to the Parking Enterprise with increased parking citation collections (\$285,000) and eliminating the General Fund subsidy of the paramedics program by freezing the vacant EMS Officer position and reducing paramedics from 27 to 21 (\$325,000). **(Attachment 5)**. Staff continues to explore paramedic service funding including reimbursements for first responding services and obtaining funding from County CSA 74 fees. To increase the annual Gas Tax transfer by \$775,000 to \$1,200,000 a variety of Gas Tax funded street related capital expenditures are reduce or delayed. **(Attachment 6)**.

Capital Project Reductions: Recommended reductions to annual General Fund capital projects total \$470,000. General Fund capital related expenditures are reduced to lease payments and other required expenses. **(Attachment 7)**

Operating Budget Reductions: Recommended reductions to departmental operating and on-going capital budgets total \$5,296,200 or 5.4% of the General Fund and Measure V budgets. General Fund reductions total \$4,862,750 and Measure V reductions total \$433,450. Five (5) police officer positions were included in the original FY 2006-07 Measure V budget and eliminated in FY 2007-08. To maximize the funding of sworn police officer positions, staff recommends moving 3 police officer positions (\$433,450) from the General Fund to Measure V.

While initial (Phase 1) reductions does not require the layoffs of permanent City employees, 23 vacant permanent full-time positions are eliminated or frozen and the equivalent of about 15 contract and temporary (hourly) employees will be let go.

(Attachment 8) provides a summary of recommended FY 2009-10 budget reductions by department.

(Attachment 9) provides departmental service impacts of recommended FY 2009-10 budget reductions.

City Hall and Permit Center 4/10 Work Schedule

Many public agencies have already begun implementing budget saving ideas to get ahead start on reducing their budget gap. One such idea that is becoming very popular is closing public facilities on

Fridays. Staff had originally planned to recommend closing City Hall and the Permit Center at the beginning of the fiscal year. However, with the worsening budget crisis, staff is now recommending that this concept be implemented in March 2009, instead of July 2009. While implementing this recommendation three months earlier would only save an additional \$7,500, it would represent the City's desire to act sooner than later to begin the process of closing the budget gap. This action would not only save the City money, but would also reduce employee commuting expenses and would reduce the City's carbon footprint. City Hall and the Permit Center would be closed every Friday and would be open Monday through Thursday from 7:00 am to 6:00 pm. As a result, City Hall and the Permit Center would be open two additional hours per day. At the discretion of the City Manager, reduced work hours could be provided for employees with childcare or other commitments that would create a hardship. Staff will ask the City Council to approve a 4/10-work schedule at City Hall and the Permit Center at their February 24, 2009 meeting.

Measure V Budget

The Measure V Fund accounts for the proceeds of the ½ cent transactions and use tax approved by the Salinas' voters on November 8, 2005. The tax approved by the voters is a general tax. As such, the City may use the revenue from the tax for any general governmental purpose. The tax will sunset in ten (10) years.

Measure V tax collected in FY 2007-08 totaled \$10,222,788. Revised Measure V tax estimates for FY 2008-09 have declined \$650,000 (6.3%) to \$9,700,000.

Due to the continued recession and decline in Measure V tax collections, during September/October 2009, the Measure V Committee recommended and City Council approved canceling the following Measure V funded capital projects: Emergency Generator \$100,000, Fire Rescue Unit \$209,100, Four Police Vehicles \$207,700, Mobile Police Station Computer/Communication Equipment \$20,000, Parks Lighting Replacement \$59,200, Street Resurfacing \$353,400 and Sidewalk Repair \$444,500. Value of Measure V projects cancelled totaled \$1,393,900.

HdL (tax consultants/auditors) provided revised Measure V tax estimates for FY 2009-10 on January 21, 2009. Measure V tax declines are predicted as follows: Fuel and Service Stations down 25% (\$400,000), Autos and Transportation down 10% (\$150,000), Consumer Goods down 2% (\$50,000) and Building and Construction down 5% (\$50,000). Expected Measure V tax declines in FY 2009-10 total \$650,000.

Revised Measure V tax estimates for FY 2009-10 have declined \$1,550,000 (14.6%) to \$9,100,000.

Measure V reserves to end FY 2008-09 is estimated at \$1.1 million. This includes Federal Gang Task Force funding of \$510,500. Measure V reserve shortfall to end FY 2009-10 is estimated at \$717,841. The shortfall does not include Federal Gang Task Force funding. **(Attachment 10)**

Employee concessions (10% pay reductions/defer future salary increases) for two-years are needed to resolve the Measure V Fund reserve shortfall. Additionally, Federal funding for the Gang Task Force will be pursued.

Sidewalk Repairs

As noted above, due to the significant decline in Measure V tax collections, action by the City Council and Measure V Committee has eliminated all Measure V funding for sidewalk repair. Prior to the economic down turn, \$1.9 million of contract sidewalk repairs were made in the City using Measure V funds. Measure V funding is no longer available. At the present time, due to budget constraints, all sidewalk repair work is suspended.

Gas tax is the only remaining funds budgeted for sidewalk repair (\$325,000 annually). Gas tax funds a City sidewalk crew (four maintenance workers) that places temporary asphalt patches on damaged

sidewalks to mitigate safety issues. Without funding available for sidewalk repairs, property owners may continue to repair sidewalks at their own expense using their own contractor. Additionally, at the property owner's request, sidewalk repairs may be completed either by a contractor hired by the City or by the City sidewalk crew and paid for by the property owner. City staff also continues to explore other lower cost alternatives to sidewalk repair and maintenance through jobs training partnerships such as the Rancho Cielo Salinas City Corp. Whatever the avenue chosen, property owners would be billed for all cost associated with repairing their sidewalk.

This approach is consistent with State law, which places the duty to maintain sidewalks on an abutting property owner. (Streets and Highway Code Section 5610 *et seq.*) It is also consistent with City Council Resolution No. 4926 from 1963, which states that the City will require abutting property owners to maintain and repair sidewalks unless the damage is caused by a City tree, in which case the City is authorized to make a repair at the City's expense, *within the limitations of the current budget.*

Property owners wishing to make repairs would take out an Encroachment Permit and City Forestry staff would review and approve the removal of any street tree, including replanting as necessary. Forestry staff has been removing the street tree, if necessary and replacing the tree when nursery stock is available. To provide an incentive for property owners to repair their own sidewalks, when City tree roots cause the damage, the Encroachment Permit (currently \$ 56) has been issued at no cost to the property owner.

To limit the City's trip and fall liability, staff intends to develop, for City Council's consideration, a liability-shifting ordinance, similar to the City of San Jose. These kinds of ordinances mandate that an abutting property owner is liable to third parties who are injured on a defective City-owned sidewalk.

State and County Budget Impacts

The State of California has a history of balancing its budget using local government resources and in fact, currently takes \$3.9 million of Salinas' property taxes annually. These annual property tax shifts began in the early 1990s and have not been restored. While Proposition 1A (2004) protects local government property tax, sales tax and vehicle license fees, the State legislature can upon a two-thirds vote, borrow these funds. Proposition 1A requires these funds to be paid back in three years with interest. Staff will monitor the State budget and inform the City Council of any impacts on the General Fund.

The City's budget has no contingencies for losses related to State or County budget impacts. **(Attachment 11)**

ISSUE:

No action required, for information only. The Measure V Committee will be asked to make budget reduction recommendations at its meeting on February 2, 2009. City Council will be asked to approve budget reductions at its meeting on February 24, 2009.

CONCLUSION:

The declines in sales taxes, Measure V taxes, property taxes, building fees and vehicle license fees and impacts to the City's budget is serious and will take immediate action to keep the City solvent. Budget impacts are summarized as follows:

- General Fund revenues are down 14.2% (\$11.8 million) from projections made in FY 2007-08, prior to the start of the recession and housing down turn.
- Measure V revenues are down 14.6% (\$1.6 million) from projections made in FY 2007-08, prior to the start of the recession.

- To maximize the funding of sworn police officer positions, staff recommends moving three (3) police officer positions from the General Fund to Measure V.
- Staff recommends initial General Fund and Measure V overall budget reductions of 5.4% (\$5.3 million) that do not require layoffs.
- To resolve the remaining budget shortfall without layoffs and major reductions in service levels, ten (10%) percent employee concessions (10% pay reductions/defer future salary increases) for all employee bargaining groups are needed for the next two-years. All employee groups are asked to participate.
- Employee concession bargaining must be concluded during March 2009, in time to make further budget reductions, including layoffs, if required.
- Even after a two-year 10% across the board employee concession, a \$2.1 million reserve shortfall is projected in the second year of the City's two-year budget cycle FY 2010-11.
- The City's budget has no contingencies for losses related to State or County budget impacts.

FISCAL IMPACT:

Fiscal impacts have been described in this report.

TIME CONSIDERATIONS:

Budget reductions and fee increases totaling at least \$12.6 million must be implemented no later than July 1, 2009. City Council will be asked to approve initial (Phase 1/no layoff) reductions at its meeting of February 24, 2009. Employee concession bargaining must be concluded during March 2009, in time to make further budget reductions if required. City Council will be asked to approve new fees and fee increase at its meeting of April 28, 2009. City Council will be asked to approve a two-year budget for FY 2009-10 and FY 2010-11 at its meeting of June 9, 2009.

Distribution:
 City Council
 City Manager
 City Attorney
 Department Directors

Back Up Pages:
 Attachments 1 -11

**Attachment 1
General Fund Budget Projections**

	No Action (if nothing were done)	
	FY 2008-09	FY 2009-10
Estimated Revenue-April 2007	\$ 79,381,700	\$ 82,985,000
Sales Tax Declines	(2,950,000)	(4,499,300)
Sales Tax Decline: January 21, 2009 (HdL)		(1,350,000)
Property Tax Declines	(2,785,000)	(5,155,000)
Building Plan Check/Permit Fees down (40%)	(500,000)	(500,000)
Vehicle License Fees down (25%)	(300,000)	(310,000)
One-time State Fire Reimb / Bond Issuance Fees	295,000	
Adjusted Estimated Revenue	<u>73,141,700</u>	<u>71,170,700</u>
Net Transfers In	<u>176,000</u>	<u>26,000</u>
Budget Appropriations		
Base Operating	(82,501,300)	(86,265,800)
Capital Projects-On-going Expenses	(1,415,000)	(1,341,000)
	<u>(83,916,300)</u>	<u>(87,606,800)</u>
Revenue Over (Under) Operating expenses	(10,598,600)	(16,410,100) 18.7%
Capital Projects-One-time expenses	(300,000)	
Actual 2007-08 Carryover	1,885,100	
Cancel/Delay GF Capital Projects	1,404,162	
Estimated 2008-09 Carryover		2,000,000
Beginning Fund Balance	9,404,641	1,795,303
Total Ending Balance	<u>\$ 1,795,303</u>	<u>\$ (12,614,797)</u>
Capital Projects Reserve	\$ 1,341,000	\$ -
Operating Reserve	454,303	
	<u>\$ 1,795,303</u>	<u>\$ -</u>

**Attachment 2
Initial (Phase 1) FY 2009-10 Budget Balancing Solutions (Detail)**

		<u>FY 2009-10</u>	
		<u>Reserve Shortfall</u>	<u>Budget Gap</u>
General Fund Shortfalls		\$ (12,614,797)	\$ (16,410,100)
Fee Increases			
Review all City fees (Assumes all fees increased 5%)	185,000		
Prepay PERS (3.66% discount)	56,900		
Bid Towing Franchise	200,000		
City Booking Fee	75,000		
Lease out Well Fargo Office Space	80,000		
	<hr/>		
Total Fee and Revenue Increases	\$ 596,900	596,900	596,900
General Fund Subsidies			
Increase gas tax transfer to reimburse the General Fund for street related expenditures	775,000		
Contract the collection of parking citation revenue eliminating the General Fund subsidy to the Parking Enterprise	285,000		
Eliminate General Fund subsidy of Paramedic Program Freeze EMS Officer (vacant) and reduce paramedics from 27 to 21 (premium pay)	325,000		
	<hr/>		
Total Reduced Subsidies	\$ 1,385,000	1,385,000	1,385,000
Capital Project Reductions			
Personal Computer Replacement	75,000		
Weed Abatement	45,000		
Asbestos Management	20,000		
Economic Development	150,000		
Fire Safety Turnouts	10,000		
Police Vehicle Replacement	150,000		
Re-roof Public Buildings	20,000		
	<hr/>		
Total Reduced Capital Projects	\$ 470,000	470,000	470,000
Operating Budget Reductions			
No layoffs, includes 23 vacant positions		4,007,300	4,007,300
Temporary Personnel Reductions		669,400	669,400
Close City Hall & Permit Center every Friday-Utility Savings		30,000	30,000
		<hr/>	<hr/>
Total Remaining Shortfalls		\$ (5,456,197)	\$ (9,251,500)

**Attachment 3
General Fund Budget Projections**

	FY 2008-09	5.4 % Budget Reductions No Layoffs	
		FY 2009-10	FY 2010-11
Estimated Revenue-April 2007	\$ 79,381,700	\$ 82,985,000	\$ -
Sales Tax Declines	(2,950,000)	(4,499,300)	
Sales Tax Decline: January 21, 2009 (HdL)		(1,350,000)	
Property Tax Declines	(2,785,000)	(5,155,000)	
Building Plan Check/Permit Fees down (40%)	(500,000)	(500,000)	
Vehicle License Fees down (25%)	(300,000)	(310,000)	
One-time State Fire Reimb / Bond Issuance Fees	295,000		
Revenue/Fee Increases		596,900	
Adjusted Estimated Revenue	73,141,700	71,767,600	72,800,000 (1)
Net Transfers In	176,000	1,411,000	1,361,000
Budget Appropriations			
Base Operating	(82,501,300)	(86,265,800)	(84,000,000)
Recommended Budget Reductions-No Layoffs (23 Vacant)		4,007,300	
Temporary Personnel Reductions		669,400	
Utility Savings-Close City Hall & Permit Center Fridays		30,000	
Capital Projects-On-going Expenses	(1,415,000)	(871,000)	(871,000)
	<u>(83,916,300)</u>	<u>(82,430,100)</u>	<u>(84,871,000)</u>
Revenue Over (Under) Operating expenses	(10,598,600)	(9,251,500)	(10,710,000) 12.6%
Capital Projects-One-time expenses	(300,000)		
Actual 2007-08 Carryover	1,885,100		
Cancel/Delay GF Capital Projects	1,404,162		
Estimated 2008-09 Carryover		2,000,000	
Beginning Fund Balance	9,404,641	1,795,303	(5,456,197)
Total Ending Balance	\$ 1,795,303	\$ (5,456,197)	\$ (16,166,197)
Capital Projects Reserve	\$ 871,000	\$ -	\$ -
Operating Reserve	924,303		
	<u>\$ 1,795,303</u>	<u>\$ -</u>	<u>\$ -</u>

(1) 1.5% Growth & New Fees

**Attachment 4
General Fund Budget Projections**

**Employee Concessions-10%
5.4 % Budget Reductions-No Layoffs**

	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
Estimated Revenue-April 2007	\$ 79,381,700	\$ 82,985,000	\$ -
Sales Tax Declines	(2,950,000)	(4,499,300)	
Sales Tax Decline: January 21, 2009 (HdL)		(1,350,000)	
Property Tax Declines	(2,785,000)	(5,155,000)	
Building Plan Check/Permit Fees down (40%)	(500,000)	(500,000)	
Vehicle License Fees down (25%)	(300,000)	(310,000)	
One-time State Fire Reimb / Bond Issuance Fees	295,000		
Revenue/Fee Increases		596,900	
Adjusted Estimated Revenue	<u>73,141,700</u>	<u>71,767,600</u>	<u>72,800,000 (1)</u>
Net Transfers In	<u>176,000</u>	<u>1,411,000</u>	<u>1,361,000</u>
Budget Appropriations			
Base Operating	(82,501,300)	(86,265,800)	(84,000,000)
Employee Concessions		6,576,700 (2)	7,488,100 (2)
Recommended Budget Reductions-No Layoffs (23 Vacant)		4,007,300	
Temporary Personnel Reductions		669,400	
Utility Savings-Close City Hall & Permit Center Fridays		30,000	
Capital Projects-On-going Expenses	<u>(1,415,000)</u>	<u>(871,000)</u>	<u>(871,000)</u>
	<u>(83,916,300)</u>	<u>(75,853,400)</u>	<u>(77,382,900)</u>
Revenue Over (Under) Operating expenses	(10,598,600)	(2,674,800)	(3,221,900) 4.2%
Capital Projects-One-time expenses	(300,000)		
Actual 2007-08 Carryover	1,885,100		
Cancel/Delay GF Capital Projects	1,404,162		
Estimated 2008-09 Carryover		2,000,000	
Beginning Fund Balance	9,404,641	1,795,303	1,120,503
Total Ending Balance	<u>\$ 1,795,303</u>	<u>\$ 1,120,503</u>	<u>\$ (2,101,397)</u>
Capital Projects Reserve	\$ 871,000	\$ 871,000	\$ -
Operating Reserve	924,303	249,503	
	<u>\$ 1,795,303</u>	<u>\$ 1,120,503</u>	<u>\$ -</u>

(1) 1.5% Growth & New Fees

(2) Employee Concessions (10% pay reductions/defer future salary increases) all employee bargaining groups

Attachment 5
General Fund Transfers and Debt Service

	FY 2008-09	FY 2009-10	Recommended Adjustments FY 2009-10	Recommended FY 2009-10	Recommended FY 2010-11
Transfers In					
Gas Tax-Street Maintenance	\$ 425,000	\$ 425,000	\$ 775,000	\$ 1,200,000	\$ 1,200,000
Traffic Safety	900,000	900,000		900,000	900,000
Transfers Out					
Fairways Golf Course	0	(150,000)		(150,000)	(200,000)
Paramedic Program	(325,000)	(325,000)	325,000	0	0
Downtown Parking District	(285,000)	(285,000)	285,000	0	0
Debt Service					
65 W Alisal	(135,000)	(135,000)		(135,000)	(135,000)
Crazy Horse Proceeds	(235,000)	(235,000)		(235,000)	(235,000)
Animal Shelter	(84,000)	(84,000)		(84,000)	(84,000)
Vehicle Abatement	(85,000)	(85,000)		(85,000)	(85,000)
Net Transfers Out	<u>\$ 176,000</u>	<u>\$ 26,000</u>	<u>\$ 1,385,000</u>	<u>\$ 1,411,000</u>	<u>\$ 1,361,000</u>

**Attachment 6
Gas Tax Capital Projects**

	FY 2009-10	Recommended Reductions FY 2009-10	Recommended FY 2009-10	Recommended FY 2010-11
E Market Street Under grounding	\$ 300,000	\$ -	\$ 300,000	\$ -
Storm Sewer Drainage Repairs	100,000	(25,000)	75,000	75,000
Street Sweepers Acquisition	45,000		45,000	45,000
School Safety Enhancements	40,000	(20,000)	20,000	20,000
Annual City Sts Rehab Program	575,000	(575,000) (1)	0	300,000
Congestion Management Agency	60,000		60,000	65,000
Bicycle Lane Installations	25,000	(25,000)	0	0
Traffic Signal Installation	375,000	(30,000)	345,000	355,000
Sidewalk & Drainage Repairs	330,000		330,000	340,000
Street Median Landscape Repairs	100,000	(100,000)	0	0
Total	\$ 1,950,000	\$ (775,000)	\$ 1,175,000	\$ 1,200,000

(1) State funding allocated for street rehab include; \$1.4 million of State Gas Tax (Prop 42) and \$2.2 million of State Transportation Bonds (Prop 1B). Payment of these funds are delayed due to the State's cash flow crisis.

Attachment 7
General Fund Capital Projects-On-going Expenses

		FY 2008-09	FY 2009-10	Recommended Reductions FY 2009-10	Recommended FY 2009-10	Recommended FY 2010-11
Personal Computer Replacement	9102	\$ 100,000	\$ 100,000	\$ (75,000)	\$ 25,000	\$ 25,000
Weed Abatement	9130	45,000	45,000	(45,000)	0	0
Public Library Fund	0135	60,000	65,000		65,000	65,000
Abbott St. Safety Building Lease	9304	180,000	186,000		186,000	186,000
Asbestos Management	9356	20,000	20,000	(20,000)	0	0
Fire Hose Replacement	9384	10,000	5,000		5,000	5,000
Fire Hydrant Repairs	9411	5,000	5,000		5,000	5,000
NPDES Monitoring Program	9436	200,000	200,000		200,000	200,000
Economic Development	9450		150,000	(150,000)	0	0
Fleet Replacement	9525	45,000				
Fire Safety Turnouts	9527	60,000	30,000	(10,000)	20,000	20,000
Fire Vehicle Lease	9540	255,000	255,000		255,000	255,000
Fire Station Repairs	9541	50,000	25,000		25,000	25,000
Police Vehicle Replacement	9579	250,000	150,000	(150,000)	0	0
Copier Rental Program	9684	80,000	85,000		85,000	85,000
Re-roof Public Buildings	9718	20,000	20,000	(20,000)	0	0
Ball Field Repairs	9737	35,000				
Total CIP		\$ 1,415,000	\$ 1,341,000	\$ (470,000)	\$ 871,000	\$ 871,000

Attachment 8
Summary Recommended FY 2009-10 Budget Reductions by Department

	General Fund Reductions	Measure V Reductions	Reductions	No Layoffs Vacant FTEs	Percent Reduction GF & MV Budget
City Council	26,900		26,900	0.00	10.9%
Administration	89,100	52,300	141,400	0.50	13.4%
Human Resources & Risk Management	86,800	5,000	91,800	0.00	9.0%
Economic Development (Increase)	(130,500)		(130,500)		
Finance	426,900		426,900	0.00	9.9%
City Attorney	101,200		101,200	0.00	10.1%
Block Grant	71,200		71,200	0.00	28.8%
Non Departmental	563,200		563,200	0.00	11.3%
Police	1,240,600		1,240,600	10.00	3.0%
Fire	638,150		638,150	2.00	3.7%
Permit Services	472,800		472,800	3.00	11.7%
Development & Engineering Services	266,700		266,700	2.50	9.2%
Maintenance Services	863,400	31,300	894,700	5.00	8.3%
Recreation Parks	146,300	160,150	306,450	0.00	7.0%
Library		184,700	184,700	0.00	3.9%
Total Reductions without Layoffs	4,862,750	433,450	5,296,200	(1) 23.00	5.4%
Measure V Funding Recommendation					
Move Three Police Officers from the General Fund to the Measure V Budget	433,450	(433,450)	0	(2)	
Total-No Layoffs	5,296,200	0	5,296,200	(3)	
(1) Full-time Positions-Vacant			2,285,300	23.00	
Contract/Temporary Positions			669,400	15.00	

(2) Five police officer positions were eliminated from the MV budget in FY 2007-08. Recommendation to move three police officer positions (\$144,500 per officer) from the General Fund budget to the Measure V budget maximizes the funding of sworn police officer positions.

(3) Reductions of \$5,296,200 include: Operations \$4,826,200 and Capital Projects \$470,000

Attachment 9
General Fund and Measure V
FY 2009-10 Budget Reduction Recommendations (No Layoffs)

City Council

- General Fund Budget Reductions - \$26,900
- Percent Reduction - 10.9%

Impacts: Transfer City Council's salary charge to the Redevelopment Agency to more properly account for time spent on redevelopment issues. Eliminate general expense and meetings budget.

Administration

- General Fund and Measure V Budget Reductions - \$141,400
- Percent Reduction - 13.4%

Impacts:

City Clerk

The recommended elimination of the vacant ½ time Secretary in the City Clerk's office would result in requiring outside assistance for Spanish translation at City Council meetings and of written translation of the agenda; Reduced office coverage would impact assistance to City Hall callers and visitors; Records scanning and indexing and website maintenance would be delayed or partially eliminated; Responses to requests for documents and records would be delayed; and Inability to generate the current volume of certificates and commendations, which has tripled since the 2006 election.

The City Clerk's advertising budget is reduced 36% impacting funds available to publicize neighborhood meetings.

City Manager

Recommended reductions include the elimination of \$50,000 provided by Measure V for grant writing services. Grant searches and writing services will continue to be provided by California Consulting and in-house staff.

Travel and training budgets are eliminated. Training alternatives will be explored such as use of the Internet and in-house training.

Human Resources and Risk Management

- General Fund and Measure V Budget Reductions - \$91,800
- Percent Reduction - 9.0%

Impacts: The reduction of all temporary positions will eliminate additional support required when workloads increase, due to recruitments, such as firefighters, where the City receives over 500 applications, special projects and assignments to cover any employee leaves. Reductions in citywide recruitments will assist in managing the loss of temporary help. Further, special projects maybe deferred until the budget shortfall is resolved.

Recruitment advertising and outside services are reduced 63%. Reductions in vacancies will reduce advertisement costs and outside services. Outside services cover all contracts with Cooperative Personnel Services for testing materials, costs for recruitments, such as meals, for

oral board raters, fingerprint reimbursements for candidates and California Department of Justice for processing fingerprints. The Departments will be responsible for the processing fee and candidates will be required to use City services for livescan in order to avoid a reimbursement process. Risk Management will delay worker's compensation audits or professional services, such as, health provider advisors.

All membership, publications, training and conference have been eliminated. We can sustain our current level of service because we have experienced and trained personnel. However, if we have staff turnover this reduction could have a negative impact.

Economic Development

- General Fund Budget Increase - \$130,500
- Percent Reduction – 87%

Impacts: The FY 2009-10 Budget for the combined Economic Development and the Salinas Valley Enterprise Zone reflects a requested increase in funding from the City of Salinas. The funding increase of \$130,500 recognizes a change in the budgeted per capita funding level of \$1.00 (\$150,000 annual) to the required funding level of \$1.87 (\$280,500 annual). All five cities in the Salinas Valley are being asked for this higher level of funding which reflects an accurate budgeting by detailed expense line item versus a first stab at an estimated cost/revenue needs considered one year ago. Additionally, the combined budget includes \$132,000 of anticipated funding from the collection of a \$60.00 application fee for 2,200 Enterprise Zone Hiring Voucher Applications. The revenue projections also include an anticipated \$50,000 from the private sector in the form of membership dues for the Economic Development Corporation.

The funding levels for the FY 2009-10 Budget reflect two full time employees, an Economic Development Director and an Enterprise Zone Manager, and shared costs with the City of Salinas Redevelopment Agency for an Executive Assistant. Other significant costs include reimbursement to the State of California of \$22,000 for their share of the voucher application fees, yearly costs for use of the site and facility location software that is addressable through the Economic Development webpage, and normal payroll associated benefit costs.

It is anticipated that the Salinas Valley Economic Development Corporation will remain as part of the City of Salinas until such time as the economy allows for significant contributions from the private sector.

Finance Department

- General Fund Budget Reductions - \$426,900
- Percent Reduction – 9.9%

Impacts: Contracting the administration and collection of parking citations allows for the elimination of two temporary positions. Loss of temporary positions will reduce front counter support and increase customer lines.

A 37% reduction in contract HELP desks services (1 FTE) will delay response times to City departments for PC repairs and upgrades. PCs will be replaced on an emergency basis only.

All professional service contracts have been reduced or eliminated in the following areas: audit and accounting services, appraisal services, software maintenance, phone system upgrades and programming support. Existing staff will absorb additional work were possible, although project delays will occur.

All training has been eliminated. Training alternatives will be explored such as use of the Internet and in-house training.

City Attorney

- General Fund Budget Reduction - \$101,200
- Percent Reduction – 10.1%

Impacts: The proposed reductions to the City Attorney's Department budget include major overall reductions in the City Attorney's ability to contract out for legal services (\$75,000) and other professional services (\$15,000), a combined 75% reduction in contract services. Contract legal services provide invaluable professional legal assistance on matters outside the usual purview of the City Attorney's municipal law practice, in areas such as CEQA (California Environmental Quality Act), public utilities, storm water, landfills and tax law matters pertaining to the PERS system, to name a few. The reductions will also reduce the department's ability to contract effectively for such services as private investigators, engineers, traffic experts, economists and other technical experts required for proactive litigation, including code enforcement cases.

Other areas that will be affected include the department's travel and training budget, which has been reduced almost 60% (\$5,000) and our ability to contract out for temporary services (\$6,200). The attorneys in the department must continue to comply with Mandatory Continuing Legal Education (MCLE) requirements imposed by the State Bar of California as well as staying current on numerous and rapidly changing areas of the law. Given the proposal to reduce outside contract legal services significantly, the in-house legal staff will clearly need to "do more with less" and become proficient in areas outside of our normal areas of expertise. Staff will do all possible to minimize the risk liability and exposure of the City.

Block Grant Programs

- General Fund Budget Reduction - \$71,200
- Percent Reduction – 28.8%

Impacts: In prior years, Community Development Block Grant (CDBG) Public Services funds have been used to cover a portion of operational costs of several City after-school programs and recreation centers in targeted neighborhoods. In FY 2008-09 these efforts were focused in the Alisal Revitalization Strategy Area with funding for the Bread Box Rec Center and the Hebbbron Family Center. In FY 2009-10, to reduce the burden on the General Fund, an additional one-quarter Rec Assistant position at each center will be paid from the CDBG public services account. As these funds are subject to an overall HUD 'cap' the effect will be to reduce funding available for non-profit service providers.

Non-Departmental

- General Fund Budget Reduction - \$563,200
- Percent Reduction – 11.3%

Impacts: Operating budget contingency funds are reduced from \$100,000 to \$75,000. Capital contingency funding of \$200,000 is eliminated. Contingency funds and capital funds are not provided in departmental budgets, severely limiting emergency funds.

Insurance budget is reduced 6.7% reflecting savings for liability and worker's compensation excess insurance premiums.

Lobby efforts will be reduced in both Sacramento and Washington with a 43% reduction of the legislative advocacy budget. The budget for National League of Cities is reduced 66% and the League of California Cities is reduced 20%. Staff and City Council's attendance to these National and State governmental conferences will be limited. Support of regional agencies is reduced twenty-five percent. Regional agencies include Fort Ord Reuse Authority (FORA), Association of Monterey Bay Area Governments (AMBAG), Local Agency Formation Commission (LAFCO), Monterey Bay Air Pollution Control Agency and Monterey County Mayors Association. Funding for the International Hispanic Network and Parade of Lights is eliminated. The budget for Council and Commission recognitions is eliminated. The cost of taping City Council meetings is shifted to the new PEG fees collected by COMCAST. Budget reductions associated with City Council activities are reduced 33%.

Citywide training is reduced 90%. Training alternatives will be explored such as use of the Internet and in-house training.

Police Department

- General Fund Budget Reduction - \$1,240,600
- Percent Reduction – 3.0%

Impacts: There are five (5) police officer positions vacant. Freezing two (2) police officer positions will not have a significant negative impact, as the City has historically carried several vacancies in the department. To reduce overtime costs, police officers from special units will be transferred to patrol with an equal amount of reduction of services in those units. The special units include school resource officers, traffic, detectives, narcotics, and the gang unit.

The Finance Committee is recommending freezing two (2) Police Officer positions instead of eliminating the School Crossing Guard Program.

The reduction of seven (7) Community Service Officers (CSOs) from the current budget of twenty-one (21) will decrease CSOs assigned to patrol, leaving more non-emergency work for patrol officers. This will result in longer wait periods for residents when requesting non-emergency assistance, such as non-injury traffic accidents not posing a hazard, vehicle burglaries and other property crimes.

A 55 % reduction in temporary positions will impact staffing of the front desk, statistics and support services, abandoned vehicles and word processing increasing the backlog of routine but essential duties and functions of the department. Reductions in temporary positions and CSOs will restrict the time the front office will be open to the public.

Eliminating 100% of the police vehicle replacement budget should have a minimal impact for the first part of FY 2009-10; but as the department's fleet ages, repair costs will increase. Police vehicles will be purchased, as federal funding is available.

A 13 % reduction training funds will relegate training of officers to State law mandatory only schools, and academy costs for new employees. Training alternatives will be explored such as use of the Internet and in-house training.

Fire Department

- General and EMS Fund Budget Reductions - \$638,150
- Percent Reduction – 3.7%

Impacts: Reduction recommendations include freezing one vacant Firefighter position. Freezing this open position may cause an additional burden on the overtime budget depending on leave usage, injuries, and the potential for other vacancies within the organization.

The Apprentice Program, while not yet established, is a program that would train local residents, 18 to 21 years old, for fire service. This program will be replaced with a less expensive Fire Explorer Program that targets younger students.

Freezing the vacant Emergency Medical Services/Training Battalion Chief position will reduce administrative support of the two divisions. In addition, the loss would require that the workload be redistributed among shift battalion chiefs. Overtime may occur to facilitate the additional workload. The efficiency of all programs managed by shift battalion chiefs will be affected by adding the responsibilities of these major programs.

During FY 2006-07, City Council increased the number of Paramedics from 21 to 27. At that time, the City's finances were stable, primarily due to extraordinary property tax growth. The recent economic decline requires the number of Paramedics be reduced back to 21. This will not reduce the number of firefighter positions, although 6 Firefighter/Paramedics will lose 12.5% paramedic premium pay.

The reduction of 6 Paramedic positions would be a reduction of 9 to 7 per shift to cover vacations, injuries and illnesses. The reduction of paramedic staffing will limit the ability of the department to have a paramedic on every unit every day. Reducing staffing may increase response times for paramedic-staffed apparatus to arrive at the scene of a medical emergency; the response times will remain at or below industry standards.

Premium pay for Shift Inspectors (5%) can be saved by not filling these positions. Shift inspectors can play a crucial role in the support of the existing fire prevention bureau. While these positions are vacant, future fire prevention support from the Suppression Division will be impacted.

The 60% reduction of the training budget will impact the department's ability to provide state and federally mandated training programs. The reduction will limit the acquisition of training materials, the frequency of maintenance on training props, and will stop the funding of specialized instructors. Staff will research other options for funding training.

The 7% reduction of other operational accounts will impact the department's ability to maintain and enhance the department's equipment and infrastructure. Impacts would be subject to reliability and sustainability of equipment and infrastructure. The inability to fund preventive maintenance programs on critical pieces of equipment will lead to decreased life expectancy of equipment.

A 33% reduction in the safety gear and equipment budget will increase the safety gear replacement cycle from three years to five years, increasing the wear and tear on the equipment and reducing its effectiveness at protecting the employees. The acquisition of vital firefighting tools such as self-contained breathing apparatus; thermal imaging cameras, power saws, and rescue tools will be delayed.

Permit Services

- General Fund Budget Reductions - \$472,800
- Percent Reduction – 11.7%

Impacts: Development activity is currently down due to economic conditions. The reduction of the two vacant Combination Building Inspector positions and the vacant Construction Inspection Supervisor position should not impact our service level due to the general decrease in construction activity.

The elimination of temporary pay may occasionally affect staffing levels at the public counter and our ability to answer phones and serve customers. The effect will be minimal. The 50% reduction of microfilm funds should not affect our service levels. Scanning technology is now used instead of microfilming. Permit Services is in the process of installing a plotter/scanner that will enable us to scan plans in-house.

The 50% reduction in contract inspection and plan check services requires reorganization of the department, including training in-house staff to perform these services. As major plan checks and inspections are requested and developers pay plan check/inspection fees, contract plan check services will be used as required.

The 44% reduction in training continues to provide funds for mandated State training for building inspectors, plan checkers and the building official. Training alternatives will be explored including local classes, training within driving distance and “webinar” offerings, although these options will be limited.

The temporary Weed Abatement position will be eliminated and the weed abatement duties shifted to Code Enforcement. The ability of Code Enforcement to respond to housing, zoning and other violations will be reduced by the amount of time it takes Code Enforcement to handle weed abatement. Staff believes overall that this is a more efficient way to conduct weed abatement since Code Enforcement is often on these same properties already abating other violations. Staff will examine the most efficient way to incorporate weed abatement duties into our existing Code Enforcement program. This reduction will not have a significant impact on our service levels.

Development and Engineering

- General Fund Budget Reductions - \$266,700
- Percent Reduction – 9.2%

Impacts: Reduction recommendations included the elimination of two vacant positions in the Engineering Section of Development & Engineering; an Engineering Technician and Engineering Aid. East Market Street improvements and various storm drain projects maybe delayed. Contract engineering services will be required if funding is available.

Organization changes will be required to meet capital improvements project priorities, especially if 2009 economic stimulus funds are received for new projects. Projects delays can be expected.

Temporary employees budget is reduced 60%. Reduction in the department ability to hire hourly employees will impact traffic safety initiatives including school locations, traffic calming, traffic safety education and traffic studies. Funds remain to hire student interns to provide for annual traffic counts.

The training budget is reduced 93%. Training alternatives will be explored such as use of the Internet and in-house training.

Maintenance Services

- General Fund and Measure V Budget Reductions - \$894,700
- Percent Reduction – 8.3%

Impacts: The reduction of four Park Maintenance Worker positions (two positions are vacant) require that one Park Maintenance Worker be transferred to street maintenance and one to street sweeping. These two positions will be transferred to allow the City to offset General Fund expenditures, via its maintenance of effort. The elimination of four Park Maintenance Worker positions (from 21 to 17) will reduce pruning, edging, repairs to damaged structures, delays in litter removal and custodial services in parks and public landscapes. Additionally, a 22% reduction in contract services will reduce park restroom custodial services, contract weed abatement, pruning, litter removal and irrigation repairs on select medians and greenbelts. This will result in a visible decline of landscapes in the areas impacted.

The elimination of the vacant Signal Technician position will reduce salary savings available for contract repairs and will potentially result in taking some lights out of service when significant repairs or a replacement is required; unless a responsible party for the damage can be identified.

Janitorial maintenance by contract will be reduced 50% and temporary staff will be reduced 14% requiring the staff of public facilities to perform many of the services currently provided by the contract staff. Contract repairs to facilities for the more complex HVAC systems, electrical, or plumbing issues will be significantly reduced and in some cases may require that equipment be taken out of service.

Tree planting will be eliminated and all tree related pest control will be reduced. A 50% reduction in contract pruning services will translate into substantial delays in routine pruning services. In house staff will respond to safety response services exclusively.

A 16% reduction for contract support of the solid waste services area is recommended.

Supplies and materials are reduced 12%, reducing funding for the replacement of tools, repair parts, consumable supplies and contract repairs. Reduction in supplies and contract repairs for vehicles and power equipment will result in vehicles and equipment being out of service for prolonged periods. Public safety vehicles or critical pieces of equipment such as sewer trucks and sweepers will be the priority for repairs. In some cases, bodywork will be eliminated.

Training budgets are reduced 69%, leaving a modest \$5,200 for mandatory training.

Recreation Parks

- General Fund and Measure V Budget Reductions - \$306,450
- Percent Reduction – 7.0%

Impacts: Recreation and Park budget reduction recommendations include a 13% reduction in temporary payroll budgets and a 21% reduction in program supply, material and training budgets. These reductions will result in facility hours and program/class offerings being reduced at our recreation center sites, the municipal pool and some of the youth and adult sports programs. In addition, a 50% take-back in the after school program funding for the Salinas school districts is recommended in the amount of \$320,150. Half of the after school funding

take back (\$160,000) will then be utilized to provide year-round vacation period programs and targeted after school programs in collaboration with various school sites. City recreation staff will be able to utilize internal and available community resources to efficiently provide neighborhoods throughout Salinas with opportunities for effective after school programming once the majority of children leave school and return home.

In terms of how the school districts will be affected, they will still have available resources of \$320,150 to fund after school programs at their selected locations. These funds can go a long way to supplement other program resources available to the school districts. With City recreation taking a greater role as an active and collaborative partner in the after school effort, the district program budgets could benefit from savings from the ongoing administrative costs associated with administering the larger City-funded program.

Library

- Measure V Budget Reductions - \$184,700
- Percent Reduction – 3.9%

Impacts: The Library purchases approximately 16,000 items in print, audio and visual formats per fiscal year at its FY 2008-09 budget level for the three libraries and Bookmobile. A 29% budget reduction to purchase these materials means almost 1/3 fewer items (5,175 fewer items) will be acquired to check out to library users.

Reducing the budget allocation for training by 83% results in having an average of \$143 for each one of our twenty-one professional staff (Librarian I level or above). In reality this means sending two staff to a professional conference during the year, or sending one to a conference and six to a local/regional workshop. These conferences and workshops are the primary sources for keeping professional staff current in their fields. Training alternatives will be explored such as use of the Internet and in-house training.

A 19% reduction of the supplies, materials and contract services budget will result in a substantial decrease in the following:

- Outside professional services (consultants, grant writers, graphic designers).
- No contingency set aside to be prepared for unexpected events (broken water pipes, upholstery cleaning, window or furniture replacement).
- Fewer public programs, including the printing and supplies to support them.
- No replacement of aging computer equipment.
- Less maintenance of library buildings.
- Reduction of special supplies (local history material processing, banners, or customized school library cards).

Attachment 10
Measure V Fund Budget Projections

	<u>FY 2008-09</u>	<u>FY 2009-10</u>
Estimated Revenue		
Measure V Tax	\$ 10,350,000	\$ 10,650,000
Measure V Tax Decline	(650,000)	(900,000)
Measure V Tax Decline: January 21, 2009 (HdL)		(650,000)
Investment Earnings	100,000	75,000
	<u>9,800,000</u>	<u>9,175,000</u>
Budget Appropriations		
Base Operating	(10,089,500)	(11,131,100)
Vacancy Factor 4.7%	364,100	400,000
Increase Paramedic Funding	(300,000)	(300,000)
	<u>(1) (10,025,400)</u>	<u>(11,031,100)</u>
Revenue Over (Under) Operating Expenses	(225,400)	(1,856,100)
One-time expenditures/capital projects	(3,387,832)	(3,000)
Delay one-time expenditures/capital projects	1,393,900	
Beginning Fund Balance	<u>3,360,591</u>	<u>1,141,259</u>
Total Ending Balance	<u>\$ 1,141,259</u>	<u>(2) \$ (717,841)</u>

(1) Police budget appropriations are reduced in FY 2008-09 with the receipt of Federal Gang Task Force funding (\$510,500).

(2) Employee concessions (10% pay reductions/defer future salary increases) for two-years are needed to resolve this shortfall.

Attachment 11
State and County Controlled City Resources

Revenue/Resource	Take		Borrowing or Delayed Payment		Total
	Unlikely	Likely	Unlikely	Likely	
State Controlled:					
Property Tax	\$ -	\$ -	\$ 3,100,000	\$ -	(1) \$ 3,100,000
Prop 42 Street Rehab Funding			650,000	750,000	1,400,000
COPs Police Grant		240,000			(1) 240,000
State Mandated Cost Reimbursements		90,000			(1) 90,000
Gas Tax Funds				1,000,000	1,000,000
Vehicle Licenses Fees		500,000			(1) 500,000
State Bond Act Funds (Payments are frozen) Funds required for the Municipal Pool and Sherwood Park Improvements				1,440,000	1,440,000
Prop 1B Street Funding (State can't issue bonds)				2,200,000	2,200,000
Redevelopment Agency		460,000			460,000
Monterey County Controlled:					
SB 172 Funding for 911 Communication	600,000				(1) 600,000
Booking Fees	450,000				(1) 450,000
Total State & County Controlled Revenue	<u>\$ 1,050,000</u>	<u>\$ 1,290,000</u>	<u>\$ 3,750,000</u>	<u>\$ 5,390,000</u>	<u>\$ 11,480,000</u>

(1) General Fund Resources total \$4,980,000