

# Fiscal Year 2010-11 Budget Discussions City of San Bernardino

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# Budget Meeting Overview

- 1) Clarification of Financial Status
- 2) Change in Financial Philosophy  
“The Groundhog Day Effect”
- 3) Updated 5-Year Financial Outlook  
- 8% budget reductions
- 4) Live Within Your Means/Vision Budget
- 5) Council discussion/direction and possible action



# Clarification of Financial Status



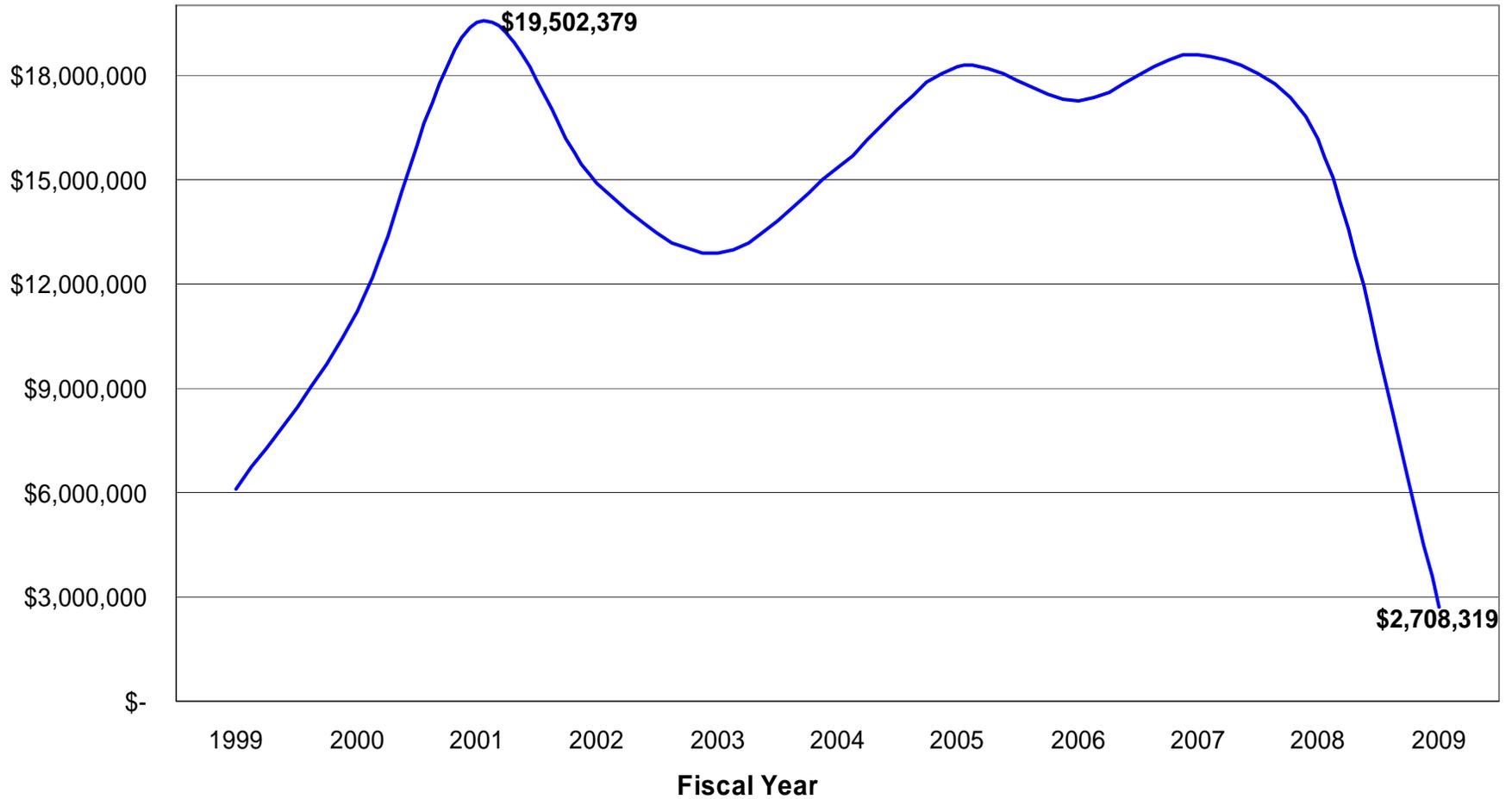
# City's Financial Status: Open the Books

According to the City's independent auditor, Rogers, Anderson, Malody, & Scott, LLP (RAMS):

- FY Ended 6/30/2009 – fund balance of \$2.7 million
- GFOA recommends – fund balance of \$23.1 million
- Possible “going concern” paragraph in FY 2009-10 opinion letter



# City of San Bernardino Audited General Fund Balances



# City Treasurer

- Cash position
- Quarterly Treasurer's Reports
- Future outlook



# Symptoms of Bankruptcy

- Cash flow liquidity problem
- Low or no reserves
- Continued structural budget problems
- Needed reduced operation hours to balance the budget
- Needed reductions in employee pay and benefits to balance the budget
- Borrowing to balance budget
- Using one-time funds to offset ongoing revenues



# Vacancy Facts

Safety vacancies (27 PD and 4 Fire): 31

Non-safety or civilian position: 30

General Fund vacancies: 61

Other/enterprise fund vacancies: 20

Total current vacancies: 81

General Fund vacancies: = \$5,000,000

Current budgeted vacancies = (\$2,863,400)

Net addt'l vacant position savings: = \$2,136,600

# Change in Financial Philosophy

*“The Groundhog Day Effect”*



# The City's Economic Outlook: A Quick Review

Clips from John E. Husing's presentation to the  
Mayor and Common Council on March 11, 2010



# When Will Normal Start?

When Will "Normal" Start To Return?



5/11/2010

81

# Everything On the Table



# The Inland Empire's Economic Outlook

## Local Government:

The darkest cloud now hanging over a revival of the Inland Empire's economy is the impact of declining state and local budgets on K-12 education plus city and county governments. This is a result of the decline in retail activity and property valuations due to the deep recession. As government revenues tend to lag the economy by a year, those declines in the recent past will mean serious local government and education job losses for the next year.

*- Source: John E. Husing's July 2010 Inland Empire Quarterly Economic Report*



# FY 1995-96 to FY 2009-10

**Note:** The following are excerpts from the budget message of adopted annual budgets from the past fifteen (15) years.

- **FY 1995-96:** projected general fund shortfall of \$2,463,000
- **FY 1996-97:** eliminated a budget deficit of \$2,560,800
- **FY 1997-98:** projected a budget shortfall of \$7.2 million
- **FY 1998-99:** the budget shortfall projected was \$2,125,500
- **FY 1999-00:** the deficit was increased to \$2,399,100
- *FY 2000-01: no projected deficit/shortfall.*
- *FY 2001-02: no projected deficit/shortfall.*
- **FY 2002-03:** used General Fund budget reserve to offset the \$2,914,300 General Fund Budget shortfall.



# FY 1995-96 to FY 2009-10

- **FY 2003-04:** Deficit reduction measures reduced projected deficit of \$7.4 million to \$4,049,400.
- **FY 2004-05:** Deficit reduction measures reduced projected \$6.7 million deficit to \$3,650,600.
- **FY 2005-06:** Proposed \$9.8 million deficit was eliminated through a series of budget reduction measures.
- *FY 2006-07: no projected deficit /shortfall.*
- **FY 2007-08:** Projected deficit of approximately \$974,100.
- **FY 2008-09:** Projected \$15.1 million deficit increased to \$20.3 million
- **FY 2009-10:** Projected deficit of approximately \$19.8 million



# Police Department

- \$10.6 million in budget reductions since 2008
- 43 total positions reduced, including 22 sworn officer positions
- Loss of helicopter services
- Loss of city jail services
- Streamlining patrol shifts
- Overtime reductions
- Severe limits on training
- Delay in equipment purchases or reliance on one time grant funds
- Failing technology infrastructure – RMS/CAD
- Closed off-site service locations
- Use of asset forfeiture funds to extent possible



# Fire Department

- 12 firefighter positions
- Battalion Chief position
- Training Captain position
- 5 Administrative positions
- Station Care and Maintenance



# Community Development

- Staffing cut by 23 positions
- Impacts to the new permits and C/S Program
- Delays in all response times – phone calls, inspections, project processing times, requests for payments, CRM inquiries, etc.



# Public Works

- Maintenance services in asphalt, concrete, traffic signal and streetlight maintenance has reduced by 44.36 percent
- Facilities maintenance services has been reduced by 44 percent, increased time to complete services causing necessary maintenance to be deferred.
- Fleet repair delays for both the auto and truck fleets
- Engineering services has been reduced by 54.76 percent resulting in less CIP projects being completed
- Emergency Response diminishes by 50 percent



# Parks and Recreation

- 32% of Parks & Recreation staffing cut
- Community centers are only open Monday – Thursday
- 1980's – 60 park maintenance employees. Today there are 11.
- Deferred maintenance repairs are no longer optional, resulting in increased costs for irrigation systems, community centers, have created “civic blight.”



# Before



# After



# Library

- Public's access to libraries reduced by 47%
- Feldheym Central Library closed Fridays
- Branch Library hours reduced by 63% (from 54 hours per week to 20 hrs. per week)
- Inadequate book budget for 10 years; No book budget for 3 years
- Over \$1 million in deferred maintenance at Central and branch libraries
- Overall budget reduced by 48% (\$700,000)
- 38% of full time staff eliminated (11 positions)
- 40% of existing staff “bumped” to lower job classifications

# Updated Five Year General Fund Projections

FY 2010-11 through FY 2014-15



# 5-Year General Fund Projections

	Projected 2010-2011	Projected 2011-2012	Projected 2012-2013	Projected 2013-2014	Projected 2014-2015
<b>Beginning Fund Balance</b>	<b>\$ 1,770,400</b>				
<b>Estimated Revenue:</b>					
<b>Total Taxes</b>	<b>82,254,900</b>	<b>81,021,100</b>	<b>81,831,300</b>	<b>82,649,600</b>	<b>83,889,300</b>
<b>Total Other Revenues</b>	<b>41,370,800</b>	<b>40,750,300</b>	<b>41,157,900</b>	<b>41,569,300</b>	<b>42,192,900</b>
<b>Total Estimated Revenues</b>	<b>123,625,700</b>	<b>121,771,400</b>	<b>122,989,200</b>	<b>124,218,900</b>	<b>126,082,200</b>
<b>Expenditures:</b>					
<b>Salaries and Benefits:</b>	117,338,800	122,886,800	130,594,600	138,880,400	140,905,500
<b>Maintenance &amp; Operation</b>	5,566,200	5,677,500	5,791,000	5,906,800	6,025,000
<b>Contractual Services</b>	7,180,400	7,324,000	7,470,500	7,620,000	7,772,400
<b>Internal Service Charges</b>	13,810,000	14,086,200	14,367,900	14,655,300	14,948,400
<b>Capital Outlay</b>	773,400	788,900	804,700	820,800	837,200
<b>Debt Service Charges</b>	2,259,600	2,259,600	2,259,600	2,259,600	2,259,600
<b>Loan Repayments</b>	1,308,700	1,629,400	-	-	-
<b>Est. Expenditure Savings Factor</b>	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
<b>Transfers Out</b>	2,600,000	2,652,000	2,705,000	2,759,100	2,814,300
<b>Total Estimate Expenditures</b>	<b>\$ 149,837,100</b>	<b>\$ 156,304,400</b>	<b>\$ 162,993,300</b>	<b>\$ 171,902,000</b>	<b>\$ 174,562,400</b>
<b>Revenue Over(Under) Expenses</b>	<b>(26,211,400)</b>	<b>(34,533,000)</b>	<b>(40,004,100)</b>	<b>(47,683,100)</b>	<b>(48,480,200)</b>
<b>Net Fund Balance/Deficit</b>	<b>\$ (24,441,000)</b>	<b>\$ (32,762,600)</b>	<b>\$ (38,233,700)</b>	<b>\$ (45,912,700)</b>	<b>\$ (46,709,800)</b>

# Summary Reconciliation

## FY 10-11 Budget Balancing Actions

<b>FY 10-11 Projected Budget Balance</b>	<b>(\$24,441,000)</b>
Revenue Enhancements	10,457,500
Personnel Cost Savings	10,700,000
Increased Grant Credits and expenditure savings	4,100,000
Defer Loan Repayment to EDA	<u>1,300,000</u>
<i>Total Budget Balancing Measures</i>	<i>\$26,557,500</i>
<b>FY 10-11 Adopted Budget Balance</b>	<b>\$2,116,500</b>



# Updated Projections for FY10-11 and FY11-12

	<u>FY 10-11</u>	<u>FY 11-12</u>
Net Revenue Shortfall	(\$1,579,600)	(\$10,100,000)
Personnel Cost Shortfall	<u>(1,100,000)</u>	<u>(1,100,000)</u>
Estimated Shortfall Total	(2,679,600)	(11,200,000)
Net Increase from Kohl's	536,100	592,700
Continue 17 Police vacancies and Fire SAFR Grant Credit	<u>0</u>	<u>2,800,000</u>
Total Net Shortfall	(\$2,143,500)	(\$7,807,300)



# 5-Year General Fund Updated Projections

	Adopted 2010-2011	Updated 2010-2011	Projected 2011-2012	Projected 2012-2013	Projected 2013-2014	Projected 2014-2015
<b>Beginning Fund Balance</b>	\$ 1,770,400	\$ 1,770,400	\$ 3,665,459	\$ 3,709,679	\$ 3,709,679	\$ 3,709,679
<b>Estimated Revenue:</b>						
<b>Total Taxes</b>	83,027,600	81,798,000	81,539,000	82,378,400	82,858,800	84,106,400
<b>Total Other Revenues</b>	48,133,600	48,133,600	44,964,300	45,331,900	45,702,900	46,238,800
<b>Total Estimated Revenues</b>	131,161,200	129,931,600	126,503,300	127,710,300	128,561,700	130,345,200
<b>Expenditures:</b>						
<b>Salaries and Benefits:</b>	102,453,000	103,553,000	103,748,400	120,065,500	124,235,500	126,373,200
<b>Maintenance &amp; Operation</b>	5,282,600	5,282,600	5,300,000	5,350,000	5,400,000	5,450,000
<b>Contractual Services</b>	6,900,100	7,060,100	7,300,000	7,625,800	7,771,000	7,903,800
<b>Internal Service Charges</b>	14,010,000	14,010,000	14,124,800	15,280,000	15,585,600	15,897,300
<b>Capital Outlay</b>	91,600	91,600	100,000	110,000	115,000	120,000
<b>Debt Service Charges</b>	2,171,400	2,171,400	2,171,400	2,171,400	2,171,400	2,171,400
<b>Loan Repayments</b>		-	1,629,400	1,350,000	-	-
<b>Est. Expenditure Savings Factor</b>	(2,863,400)	(2,863,400)	(2,863,400)	(2,000,000)	(2,000,000)	(2,000,000)
<b>Transfers Out</b>	2,769,800	2,869,800	2,800,000	2,850,000	2,900,000	2,950,000
<b>Total Estimate Expenditures</b>	\$ 130,815,100	\$ 132,075,100	\$ 137,460,600	\$ 152,802,700	\$ 156,178,500	\$ 158,865,700
<b>Shortfall (Revenue-Expenses)</b>	346,100	(2,143,500)	(11,200,000)	(25,092,400)	(27,616,800)	(28,520,500)
<b>8% Budget Reduction Totals</b>	\$ -	\$ 4,038,559	\$ 11,244,220	\$ 9,644,220	\$ 9,644,221	\$ 9,644,222
<b>Reserve Fund Balance w/ 8%</b>	\$ 2,116,500	\$ 3,665,459	\$ 3,709,679	\$ (11,738,501)	\$ (14,262,900)	\$ (15,166,599)

## What If: No Cuts to Public Safety

	<b>FY 2010/11 Budgeted Positions</b>	<b>Percentage of Positions w/o Safety</b>		<b>Total Cut w/out Public Safety</b>	<b>Positions To Be Deleted</b>
City Attorney's Office	21.5	7%		\$ 779,242	9
City Clerk's Office	16	5%		\$ 579,901	7
City Manager's Office	9	3%		\$ 326,194	4
City Treasurer's Office	3	1%		\$ 108,731	1
Civil Service	3	1%		\$ 108,731	1
Common Council	11	4%		\$ 398,682	3
Community Development	62	20%		\$ 2,247,117	26
Finance	16	5%		\$ 579,901	7
<i>Fire</i>	<i>191</i>	<i>n/a</i>		\$ -	0
Human Resources	6	2%		\$ 217,463	2
Information Technology	20	7%		\$ 724,876	8
Library	20	7%		\$ 724,876	8
Mayor's Office	6	2%		\$ 217,463	2
Parks, Rec, and Comm Svcs	40	13%		\$ 1,449,753	17
<i>Police</i>	<i>529</i>	<i>n/a</i>		\$ -	0
Public Works	70	23%		\$ 2,537,068	29
<b>Approx. General Fund Positions (Includes Transfers to Other Funds)</b>	<b>1023.5</b>	<b>100%</b>		<b>\$11,000,000</b>	<b>125</b>

**Percentage of non-safety  
workforce to be deleted            41%**

<b>Public Safety Positions</b>	<b>720</b>
<i>% of GF Positions</i>	<i>70%</i>
<b>Non-Safety Position</b>	<b>303.5</b>
<i>% of GF Positions</i>	<i>30%</i>



# FY 2010/11 Budget Balancing Measures

8% Across the Board Reductions



**CITY OF SAN BERNARDINO  
DEPARTMENT 8% REDUCTION TARGETS/PROPOSALS  
FOR FY2010-11/2011-12**

<b>DEPARTMENT</b>	<b>ADOPTED BASE EXPENDITURES</b>	<b>8% Reduction Target</b>	<b>8% Department Proposal</b>
City Attorney	\$ 3,674,600	293,968	0
City Clerk	2,004,800	160,384	348,200
City Manager	1,283,000	102,640	102,900
City Treasurer	202,400	16,192	40,500
Civil Service	303,100	24,248	21,100
Common Council	568,600	45,488	0
Community Development	7,607,100	608,568	640,313
Finance	1,668,200	133,456	133,500
Fire	32,621,400	2,609,712	2,666,227
Human Resource	4,985,900	398,872	403,300
Information Technology	3,566,800	285,344	286,040
Library	2,259,100	180,728	180,370
Mayor	734,900	58,792	58,800
Parks, Recreation, & Comm Service	5,379,800	430,384	435,000
Police	63,880,300	5,110,424	5,093,160
Public Works	8,784,600	702,768	834,809
<b>Total</b>	<b>\$ 139,524,600</b>	<b>11,161,968</b>	<b>11,244,219</b>

# Public Works Department

**8% Reduction Target:                      \$702,768**

**Full Time Employee Reduction:                      -7**

## **Significant Impacts:**

- Fleet – Eliminate 2 vacant positions. Additional duties absorbed by remaining mechanics.
- Streets – Charge for neighborhood clean-ups. Eliminate support for free neighborhood clean-up events.
- Facilities – Reduce maintenance and operation. Less materials, for contracts, decrease electric usage, and cleaning contract for parking structure.
- PW/Eng. - Eliminate the in-house survey unit.
- Facilities – Eliminate 2 Custodial and 1 Maintenance position. Reduction in service to Carousel Mall, Library, and City Hall.







# Parks, Recreation & Community Services

**8% Reduction Target: \$ 430,384**

**Full Time Employee Reduction: -3**

## **Significant Impacts:**

- Community Programs – Shift funding for Operation Phoenix, elimination of City Services for Norton Galaxy Center. Baseball Stadium – Eliminate maintenance support. Responsibility to shift to owner of stadium.
  - Administration – Reduce part-time. Impacts to service delivery.
  - CID – Convert FT CID Manager to contract PT Manager. Impacts to administrative support for department.
  - Park Maintenance – Eliminate 2 Park Maintenance Supervisors, or 1 Supervisor and close Delmann Heights. Restructure park maintenance delivery and reduce services to youth.
- 

# Library

**8% Reduction Target:                      \$ 180,728**

**Full Time Employee Reduction:                      -2**

## **Significant Impacts:**

- Reduce part-time. Impacts to support services
- Reduce maintenance and operation. Fewer new materials and public computer access, postage for direct mailers and maintenance.
- Loss of Coordinator will have impact on program activities.
- Loss of Office Clerk will impact support services.















# City Treasurer's Office

**8% Reduction Target: \$ 16,192**

**Full Time Employee Reduction: 0**

## **Significant Impacts:**

- Administration – Reduce maintenance and operation. Water Department to cover share of Treasurer's operations.



# City Attorney's Office

**8% Reduction Target:** \$ 293,968

**Full Time Employee Reduction:** Not Available

**Significant Impacts:**

- N/A



# Mayor's Office

**8% Reduction Target: \$ 58,792**

**Full Time Employee Reduction: 0**

## **Significant Impacts:**

- Community Safety / Environmental – Eliminate contractual services used to prepare grant applications. This past fiscal year, the contract was used to prepare and successfully obtain over \$850,000 in grant funds for police and public safety, and over \$375,000 in grant funds for environmental projects/programs.



# Common Council Office

**8% Reduction Target:** \$ 45,488

**Full Time Employee Reduction:** Not Available

**Significant Impacts:**

- N/A



# Recommended Actions

- 1) That the City Manager's Modified Budget Strategies be approved and implemented as outlined in the staff report from Charles McNeely, City Manager dated August 19, 2010; and that the Director of Finance be authorized to amend the FY 2010-2011 budget and prepare the preliminary FY 2011-2012 budget to reflect the implementation of these strategies.

