General Fund Budget Workshop
2011–12

City Council Meeting
March 22, 2011
2011–12 Budget Development

- Building the 2011–12 Budget:
  - Today’s report is first step in public process

- Why General Fund Focus?
  - Unrestricted tax resources
  - 80% Public Safety
  - Severity of 2011–12 deficit
Tonight’s Objectives

- Review 2011–12 Budget Deficit
  - Status of 2010 Fiscal Emergency Plan
  - Current Economic Environment
  - Revenue and Expenditure Projections
  - 5–year Outlook

- Department Reduction Proposals
- Risks/Opportunities
- Next Steps/Town Hall District Meetings
Projected Deficit

Update since February Budget Report:
- Revenues: $162 million
- Expenditures: $196 million
- Deficit: $34 Million
  - 17% of Expenditures

Assumes current labor contracts
June 2010 roadmap for labor negotiation
  ◦ Still relevant
  ◦ Continues to frame employee discussions

1: The City shall reduce or eliminate “additional pay” categories.

2: No side agreements or past practices shall be binding on the City unless the agreement or practice is approved in public by the City Council.
3: The City’s labor agreements shall not provide for automatic wage adjustments that are premised on formulae or automatic cost of living inflators.

4: The City will strive to have its labor agreements expire at the same time – particularly with public safety unions.

5: The City shall require its employees to make reasonable contributions toward the cost of health care coverage provided throughout the City.
6: The City shall offer one or more additional health care insurance plans. The City’s contributions shall be negotiated based on the lowest cost plan made available by the City.

7: The City will require its employees to contribute a fair share of their pension costs.

8: The City will establish vacation use work rules that limit the accumulation of vacation time and provide for use with management approval to ensure that the needs of the public take priority and overtime is minimized.
Action Plan for Fiscal Sustainability

9: The City will regain its management rights to supervise, manage, and direct its workforce.

10: The City shall restructure its labor agreements to bring overtime obligations in line with the minimums required by the Fair Labor Standards Act.
Economic Environment

Conditions That Impact Tax Revenues
Foreclosure Activity in Stockton CA
(Includes Notice of Default, Notice of Trustee's Sale and Real Estate Owned)
Revenues

After sharp declines, now leveling
Total General Fund Revenue
from 2007-08 projected through 2013-14

$225
$215
$205
$200
$195
$185
$175
$165
$155


16% Decline
General Fund Property Tax Revenues

Millions

FY07-08  FY08-09  FY09-10  FY10-11e  FY11-12e
Expenditures

Benefit costs increasing faster than revenues
Baseline 2011-12
General Fund Expenditures
($196.5 Million)

- Police: 50%
- Fire: 30%
- Management & Support: 8%
- Community Services: 5%
- Public Works: 4%
- Other: 3%

Total: $196.5 Million
Proportion of Labor Expenditures
2011-12 Baseline General Fund Budget

Non-Labor 19%

Labor 81%
<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Pay</td>
<td>47%</td>
</tr>
<tr>
<td>Additional Pay</td>
<td>6%</td>
</tr>
<tr>
<td>Retirement</td>
<td>22%</td>
</tr>
<tr>
<td>Health/Dental</td>
<td>19%</td>
</tr>
<tr>
<td>Other Benefits</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>53%</strong></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>100%</strong></td>
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## Costs of Health Benefits – All Funds

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Active Employees</th>
<th>Retirees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$19.2</td>
<td>$8.5</td>
<td>$27.7</td>
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<tr>
<td>2008-09</td>
<td>$20.7</td>
<td>$10.1</td>
<td>$30.8</td>
</tr>
<tr>
<td>2009-10</td>
<td>$20.9</td>
<td>$13.8</td>
<td>$34.7</td>
</tr>
<tr>
<td>2010-11</td>
<td>$22.7</td>
<td>$16.8</td>
<td>$39.5</td>
</tr>
</tbody>
</table>
Expenditure growth requires permanent structural change
Program Reductions
Department proposals to balance budget
Proposed service reductions discussed tonight are NEW reductions.

Community has already experienced significant service decline from tax-supported General Fund programs.

Cumulative 41% General Fund proposed staff reduction since 2008–09.
Personnel Change by Department
(Adopted 2008-09 to Preliminary Target 2011-12)

Number of Full-time Employees

- Adopted 2008-09: 1360
- Adopted 2009-10: 1103
- Adopted 2010-11: 1023
- Preliminary Target 2011-12: 800

41% Decline

Support Departments
Economic Development
Recreation
Library
Public Works
Fire
Police - Non Sworn
Police - Sworn
Police Reductions/Eliminations—$13M

- 115 Positions (11 sworn)
- Reduction of Animal Control and Animal Shelter
- Reduce Code Enforcement civilian staffing
- Reduce Civilian support for Investigations
- Reduction of Records Management civilian staffing
- Reduce Civilian clerical/fiscal administrative staff
- Reduce Crime Analysis Unit civilian staffing
- Reduce Telecommunications and IT staffing
- Reduce sworn officer staffing in Personnel & Training Section
(continued)

- Eliminate civilian staffing of Evidence Identification
- Eliminate civilian staffing of Property Room
- Eliminate all Community Service Officers from Patrol, Traffic, and Parking
- Elimination of Graffiti Abatement program
- Elimination of the Vice Unit
- Elimination of the Gang Unit
Fire Reductions – $18 million

- Daily staffing reduced from 70 to 42
- Eliminates 78 sworn positions
- Decrease crew size
  - Engine and Truck Companies to crews of 3 and 4 respectively
- Additional truck closure
  - From 4 to 2 since 2009–10
- Three engine closures
  - From 13 to 10
- Add two–person rescue vehicle
Public Works Reductions – $917,000

- Eliminate 1 Crafts Worker and 2 Facilities Maintenance Workers
- Eliminate a Parks Supervisor
- Shift Park employee costs to Landscape Districts
- Eliminate Associate Civil Engineer
- Under-fill Arborist position/Eliminate 1 Parks Worker position
- Reduce contracted tree services (30%)
- Increase street tree charges to Gas Tax fund
Community Services – $1,380,000

Library ($905,076)
- Elimination of 11 full-time and 2 part-time positions
- 27% reduction in City-wide open hours
  - From 103 hours to 75 hours per week
  - 32% reduction for Angelou/Weston Ranch
- Event planning and professional marketing materials will not be available
- Possible elimination of $150,000 in State funding
  - Adult literacy services will be reduced
  - Inter-branch deliveries will take longer
  - Deliveries to 49–99 member libraries will be eliminated
Recreation Reductions ($475,435)

- Elimination of 3 full-time positions
- 57% reduction in hours at Van Buskirk community center
  - From 49 hours per week to 21 hours per week
  - Reduction in senior’s morning hours for exercise
  - No recreation opportunities on Fridays
- Reduction in marketing and administrative support
- Sports Commission to seek external sources of funding
Administration – $1,212,000

- Eliminates total of 10 full and 7 part-time positions
- Diminished organizational capacity to plan and administer City during period of rapid organizational downsize and change
- Eliminate two support positions that jointly serve the City Council, City Manager, and City Attorney
- Eliminate Deputy City Attorney and Reduced hours for Assistant City Attorney
- Clerk: Staff reduction compromises timeliness; possible elimination of mandated duties
Administration – $1,212,000

- **City Auditor** –
  - Eliminates staff hours, reducing position to half time
  - Eliminates ethics/fraud hotline
  - Eliminates professional training

- **Admin Services** –
  - Eliminates 2 full time and 5 part time position
  - Stalls information system conversion
  - Slows payments to vendors

- **Human Resources** –
  - Eliminates Deputy Director
Staff Reductions by Program

[Graph showing staff reductions by program over different time periods (Adopted Budget 2008-09, Adopted Budget 2010-11, Baseline 2011-12, Preliminary Target 2011-12). Legend includes Police - Sworn, Police - Non Sworn, Fire, Public Works, Library, Economic Development, Recreation, and Support Departments.]
Risks and Next Steps
Risks

- Unresolved employee litigation
  - Objections to 2010–11 Fiscal Emergency Plan
- Vacation and leave cash outs
  - Proposed elimination of 194 filled positions
- Re-benchmark Cost Allocations
  - New smaller mix of programs
  - Update cost allocations/internal service rates
- State budget actions
  - Likely loss of redevelopment
Next Steps

- General Fund Discussion Continues
  - Town Hall District Meetings
  - Employee Group outreach
  - “Notices of Potential Position Elimination”

- Budget Submission to City Council
  - May: City-wide Proposed Budget
  - May/June: Budget Workshops
  - June: Budget adoption