

# City Council Budget Workshop

March 18, 2014

# Agenda

1. Review January 21 & February 4 Budget Workshop discussion items
2. Short-Term Approach (FY14-15)
  - a) Operating Budget Request Overview
  - b) Budget Balancing Efforts
3. Long-Term Approach
  - a) Temporary sales tax, or
  - b) Budget reductions

# Budget Workshop Review

- Annual 2 percent primary property tax increase
- Temporary sales tax increase discussions regarding the 2017 expiration date
- Revenue enhancement and expenditure reduction opportunities
- Variable rate on inter-fund loans
- Transfer Arts funds
- Sales tax auditor contract

# General Fund Structural Deficit

- Presented December 17, 2013
- \$14 million annually in FY14-15 – FY16-17
- \$30 million annually in FY17-18 and beyond

	<b>FY14-15</b>	<b>FY15-16</b>	<b>FY16-17</b>	<b>FY17-18</b>	<b>FY18-19</b>
Operating Revenue	\$ 172,453,862	\$ 178,838,480	\$ 185,769,581	\$ 168,163,763	\$ 172,766,038
Operating Expenditures	(181,076,077)	(182,363,159)	(190,800,298)	(191,498,710)	(193,806,382)
Contingency	(8,622,693)	(8,941,924)	(9,288,479)	(8,408,188)	(8,638,302)
<b>Total Surplus/(Deficit)</b>	<b>(\$ 17,244,908)</b>	<b>(\$ 12,466,603)</b>	<b>(\$ 14,319,195)</b>	<b>(\$ 31,743,135)</b>	<b>(\$ 29,678,646)</b>
					
	(\$14,000,000)			(\$30,000,000)	

# Short-Term Approach (FY14-15)

# FY14-15 Budget Process Review

- Zero-Based Budget Approach
- Departmental budget requests submitted December 31
- Budget Compilation – January - February
- City Manager line item review – February 24 - March 6
- Citywide, \$15.5 million in expenditure reductions/revenue enhancements identified and included in the proposed budget
  - Of that, departments identified \$4.75 million in expenditure reductions/revenue enhancements
- Directly offsets the structural deficit

# Budget Balancing Efforts

Items	Total
Utility TPT Refund - 1x (FY14-15)	\$ 250,000
SRP In Lieu Payment	250,000
Utility Savings - TPT Charged on Water Bills	55,000
Refinance Inter-fund Loan	1,341,592
Camelback Ranch Land Purchase – 1x (FY14-15)	3,722,000
PSST Supported Expenditures	1,315,487
Reduce MPC Transfer - 5x (FY14-15 through FY18-19)	200,000
Reduce Contingency Funding - 3x (FY14-15 through FY16-17)	3,566,338
<b>Departmental Identified Contributions:</b>	
Contracted Sales Tax Auditor	600,000
Fire Revenue Enhancements	208,000
Police Revenue Enhancements	280,000
Departmental Budget Balancing Contributions	3,665,623
<b>Total Budget Balancing Efforts</b>	<b>\$ 15,454,040</b>

\$4,753,623

- **Mayor & City Council - \$81,084**
  - Eliminate 1.0 vacant FTE
  - Reduce various line item costs
- **City Manager - \$85,334**
  - Eliminate 1.0 vacant FTE
  - Reduce various line item costs
- **City Attorney - \$409,885**
  - Eliminate 1.0 vacant FTE
  - Reduce outside legal fees
- **City Clerk - \$2,175**
  - Reduce various line item costs

- **City Court - \$142,306**
  - Utilize I.T. for system support versus additional staffing
  - Fund new technology with TRF
  - Reduce various line item costs
- **City Auditor - \$500**
  - Reduce various line item costs

- **Communications - \$296,373**
  - Eliminate 2.0 vacant FTE's
  - Reduce various line item costs
- **Community Services - \$492,702**
  - Reduce supplemental requests for utilities
  - Reduce supplemental requests for park supplies
  - Reduce various line item costs

- **Development Services - \$87,192**
  - Eliminate 1.0 vacant FTE
  - Reduce various line item costs
- **Economic Development - \$9,850**
  - Reduce various line item costs
- **Finance & Technology - \$796,445**
  - Eliminate 2.0 vacant FTE's
  - Contract Sales Tax Auditing (\$600,000 revenue)
  - Reduce various line item costs

- Fire - \$258,405
  - Eliminate 1.0 vacant FTE (non-sworn)
  - Revenue enhancements (\$208,000)
  - Reduce various line item costs
- Human Resources/Risk Mgt. - \$55,031
  - Reduce various line item costs
- Intergovernmental Programs - \$7,413
  - Reduce various line item costs

- **Police - \$562,679**
  - Eliminate 1.0 vacant FTE (non-sworn)
  - Revenue enhancements (\$280,000)
  - Relocate Glendale Family Advisory Center to City-owned facility
  - Reduce various line item costs
- **Public Works - \$589,511**
  - Convert 5.0 vacant FTE's to contracted service
  - Reduce various line item costs

- Other Non-Departmental - \$876,738
  - Reduce various line item costs
  - Due to a FY13-14 unanticipated revenue of \$1.5 million in the Workers' Comp Fund, eliminate \$650,000 General Fund contribution

# Short-Term Approach Summary

- Should staff include, and proceed with, the short-term budget balancing items for the upcoming FY14-15 General Fund budget?

# Long-Term Approach (Beyond FY14-15)

# Review of Structural Deficit

- Impact of the budget balancing ideas makes the General Fund sustainable through FY16-17
- Two options beyond FY16-17
  - Implement an additional \$27 million in budget balancing ideas
  - Lift the sales tax sunset

# Impact of Two Options

- Implement an additional \$27 million in budget balancing ideas
  - Staff will begin to quantify the impact of \$27 million in budget reductions/service cuts
  - Specific service reductions will take months to decide and could take years to implement
- If the sales tax sunset is lifted
  - Staff would outline the process to remove the sales tax sunset
  - Staff would provide an overview of the outreach process to date and the administrative/communication process necessary

# Sales Tax Sunset Decision

- Why the decision in these budget discussions?
  - Bond ratings
  - Organizational stability/morale: Impact to service levels including public safety
  - Economic development attraction
  - Appropriate time to research and implement \$27 million in cuts (may take several years to implement)
- What is Council's desire regarding the sales tax sunset?
  - Provide direction on March 25?
  - What additional information would be helpful?

# Wrap Up

- One decision remaining - With clear direction regarding the budget/service reductions or the sales tax sunset, the budget plan is considered sustainable
- We still have work ahead
  - Asset dissolution, capital improvement program rebuilding, streamline services, improve efficiency, implement technology
- The decisions made now
  - Addresses bond rating agency concerns
  - Provides employee stability, no layoffs
  - Addresses economic development attraction
  - Does not reduce services to the public

# Next Steps

- March 25 - Budget Workshop
  - Budget/service reductions or sales tax sunset
- April 8 & 10
  - Departmental budget review
  - Ten-year CIP review
  - Employee benefits & MOU presentation
- May 27 - Tentative Budget Adoption
- June 10 - Final Budget Adoption
- Long-term
  - Additional budget cuts or
  - Sales tax sunset elimination