



REPORT TO COUNCIL

City of Sacramento

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Staff Report

December 18, 2007

**Honorable Mayor and
Members of the City Council**

Title: Report Back on FY2007/08 Budget and FY2008/09 Budget Development

Location/Council District: Citywide

Recommendation: Adopt a Resolution authorizing the City Manager to reduce the FY2007/08 General Fund operating budget by \$3.3 million and adopt budget reduction guidelines for the FY2008/09 Budget Development.

Contact: Leyne Milstein

Presenters: Russell Fehr and Leyne Milstein

Department: Finance

Division: Budget, Policy and Strategic Planning

Organization No: 1140

Description/Analysis

Issue: As requested by the City Council on October 31, 2007, this report provides additional detail on the City Manager's proposed reductions to the current year budget. The report also initiates the policy discussion for the development of the FY2008/09 Proposed Budget.

FY2007/08 Budget

Current Year Reduction Impacts: Consistent with the Mayor and Council's adopted policy on fiscal sustainability, it is imperative that the City initiate efforts to bring ongoing revenues and expenditures back in alignment. The FY2007/08 Approved Budget included a two percent (2%) labor savings. In October the City Manager recommended an additional reduction target for departments (Exhibit 1). The City Manager has initiated immediate cost saving measures, including hiring controls and direction to Departments to reduce expenditures wherever possible including travel, professional services, and other discretionary spending. Departmental net cost reduction proposals fall into four general categories:

- 1) Leaving positions vacant;
- 2) Service and supply reductions;
- 3) Operational efficiencies;
- 4) Increased revenues.

Overall, the impact of department identified reductions on programs and service levels is minimal. Details of the recommended reductions and the impacts by department are included as Attachment 1.

While the overall impact of these reductions in the current fiscal year will not result in a significant impact to programs and service levels, it is important to note that one proposal could impact the future implementation of the Mayor and City Council's park maintenance staffing initiative. It may be appropriate during the budget process to reconsider the funding of additional phases in light of the overall financial status of the General Fund.

Current Year Budget Issues: There are three departments that have identified current year budget challenges. The following provides a description of each of the identified issues.

Police Department

Based on current estimates, the Police Department is expected to end FY2007/08 \$3-5 million over budget. Historically, salary savings accruing from vacancies has been adequate to cover unfunded activities including information technology, facilities, overtime, and positions. However, as the Department draws near to filling all sworn positions, these savings, have been significantly reduced.

Additional unbudgeted expenditures have occurred as the Department has attempted to address growing service demands. As the Department has moved towards filling all sworn positions, there has been an associated workload increase for the Department's support operations divisions. The department has utilized unbudgeted career and non-career positions and overtime to meet increased service demands both in areas of support operations as well as in patrol and investigative functions.

To address the projected deficit, the Department will be implementing several immediate cost savings measures including eliminating non-essential expenditures, reducing forty-one non-career staff, and reducing the work hours for twenty-seven additional non-career positions. These changes will impact wait times for service from the Communications Center, Records Division, and Property and Evidence Division, potentially increase patrol response times, slow recruitment and hiring efforts due to reduced staffing in the Personnel Division; and result in service reductions for department staff that rely on internal support operations.

The Department will report back at midyear with further information on the status of efforts to reduce expenditures.

Development Services Department

The Development Services Department is primarily funded with fees and charges for its services rather than with discretionary General Fund revenues.

The Department is projected to end FY2007/08 with a deficit. The primary cause is a projected departmental revenue shortfall of \$2-3 million due to the slowing construction market. In addition, the Department expects to end the year with an operating deficit of approximately \$900,000 related to the department's capacity to realize budgeted reimbursements from City projects. To address the deficit the Department has implemented several immediate cost savings measures including holding positions vacant, eliminating non-essential expenditures, and reducing limited term staff. A comprehensive Department budget action plan will be presented to City Council as part of the annual Midyear report in January.

Fire Department

The Fire Department is projected to end FY2007/08 with a \$4-5 million deficit. The Fire Department is fully staffed in Firefighter positions for the first time in over 10 years, thus the opportunity to generate salary savings has diminished. The Fire Department will continue to evaluate their budget/expenditures to identify issues and opportunities for savings. The Fire Department will report back at midyear with further information.

FY2007/08 Overview: Departments and department heads are responsible for operating within the appropriations approved by the Mayor and City Council. Departments, supported by the Budget Office, will continue to monitor budgets through the coming months, and identify program and operations adjustments necessary to operate within the Approved Budget for the current year.

Given the deteriorating local real estate market and the impacts on City revenue, we recommend that the additional budgetary savings created by increasing salary savings targets in the current year be set aside to cover year end problems with departmental budgets or city revenues. Further actions to set aside resources will be recommended in the Midyear Report. Funds not needed for a successful close of the current fiscal year will then be available for use in the coming fiscal year.

FY2008/09 Budget Development

Prior Budget Reduction Strategies: A substantial gap between on-going expenditures and revenues must be closed in the FY2008/09 budget process. This will involve a variety of different measures aimed at reducing expenditures and increasing funding sources. Reserves are available to provide transition funding which will provide additional time for cost reductions measures to work. The City has employed several different approaches to address operating budget shortfalls over the past 30 years. **The primary strategy has been and will be a reduction in staffing levels.** The intent is that this will be achieved primarily through attrition. At this time we are not recommending voluntary separation incentives.

There will be a relationship in individual departmental budgets between the level of cost reductions required and the actions required to achieve those reductions. Attachment 2 reflects a continuum of reduction strategies and potential program

impacts. Historically, the largest reductions have been addressed with permanent, ongoing reductions in all of the City's operating departments, again in staffing levels. In some cases, department specific reductions have reached over 30 percent.

In addition to the targeted reduction or elimination of programs and services, citywide cost saving measures such as freezing positions, delaying or eliminating cost of living increases, and achieving efficiencies through reducing management and administrative functions and consolidating departments have been implemented. Strategies to bridge the shortfall have also included efforts to enhance citywide and department revenues such as increasing taxes, assessments and department fees, and the use of reserves.

Overall the City has attempted to implement reductions that minimize, to the extent possible, the impact on programs and services. Yet it will not be possible to make the large budget reductions necessary without programmatic impacts. Attachments 3 and 4 include detailed information on budget reduction strategies that the City has employed in the past.

Staff from the Finance Department and the City Manager's Office are already in the process of briefing department staff so that all City employees have a direct understanding of the City's ongoing budget challenges. In addition, staff will be working on a plan for outreach to the community to provide similar information relative to the status of the City's budget.

FY2008/09 Budget Reduction Scenarios: Before the Mayor and City Council will be asked to approve any budget reductions, the impacts to programs, service levels, and staffing levels will be identified. Earlier this month, the City Manager directed General Fund departments to prepare proposed net cost reductions of 10 percent and 20 percent. Potential impacts will be brought back to Council for consideration as soon as possible, likely in early March 2008.

Net cost reductions may take the form of revenue increases as well as expenditure reductions. Departments will be working on identifying additional revenue capacity, and revenue enhancement proposals will be brought forward for Mayor and City Council consideration along with proposed expenditure reductions as part of the FY2008/09 budget process. Direction relative to the continuation of City Council initiatives as well as the funding of future phases will be necessary for FY2008/09.

Finally, there is a potential for the State to pull the trigger on Proposition 1A, retaining some level of local government property taxes in FY2008/09 to close the State's projected budget gap. Proposition 1A allows the State to divert local government property taxes twice in a ten year period. The State must repay the funds, with interest, before it can divert additional funding. The Governor will present a budget to the Legislature on January 10, 2008. Staff will continue to monitor the development of the State budget and will return to Council with options should the State propose a diversion of property tax revenues in

FY2008/09.

Budget Reporting Timeline:

January 22, 2008	FY2006/07 Comprehensive Annual Financial Report Midyear Report
January 31, 2008	Department Reduction Scenarios Due to City Manager
March 2008	Report to Council on Impact of Reduction Scenarios, Council Direction on FY2008/09 Budget Reductions
May 1, 2008	FY2008/09 Proposed Budget Available
May – June 2008	Budget Hearings

Policy Considerations: Consistent with the Council's Strategic Planning – Strategic Budgeting process the City Manager is recommending that Council adopt the attached resolution adjusting the current year budget as specified in Exhibit 1, and the adoption of budget development guidelines to provide the policy direction necessary for the development of the FY2008/09 budget. Attached is a list of draft guidelines developed by a working group comprised of Department Heads and staff from the City Manager's Office for Council's consideration (Exhibit 2).

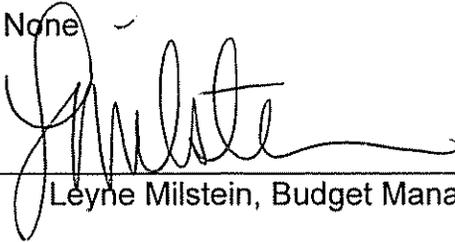
Environmental Considerations: This report concerns administrative activities that will not have any significant effect on the environment, and that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

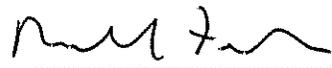
Commission/Committee Action: None.

Rationale for Recommendation: There is a growing gap between on-going expenditures and on-going revenues in the General Fund. If this gap is not addressed in the current fiscal year, the problem will compound in FY2008/09 and beyond.

Financial Considerations: The City's budget must be balanced; funding sources must be identified and available to support appropriations (expenditures). Expenditures are currently growing faster than revenues. While one-time resources such as reserves may be used as a funding source, the reserves and other one-time resources available to fund General Fund expenditures are insufficient to close the gap expected in FY2008/09. In order to remain fiscally solvent, the City must develop a broad based multi-year plan to close the gap between revenues and expenditures.

Emerging Small Business Development (ESBD): None

Respectfully Submitted by: 
Leyne Milstein, Budget Manager

Approved by: 
Russell Fehr, Director of Finance

Recommendation Approved:

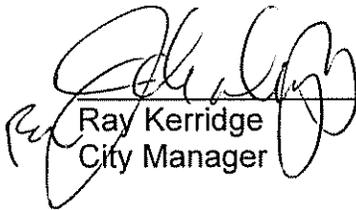

Ray Kerridge
City Manager

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FY2007/08 Reduction Impacts

Mayor / City Council

\$51,728

- Mayor / City Council's Office will reduce a variety of service and supply expenditure budgets causing minimal impact to their budget.

City Manager

\$49,511

- City Manager's Office will achieve salary savings by keeping the Deputy Director of the Office of Public Safety Accountability (OPSA) position vacant. The current level of core service will be maintained but the vacancy may affect outreach and development of programs.

City Attorney

\$118,406

- City Attorney's Office will achieve salary savings by leaving three non-attorney positions vacant. There will be minimal impact unless office workload increases.

City Clerk

\$19,553

- City Clerk's Office will reduce a variety of service and supply expenditure budgets causing minimal impacts to their clerical services, travel, training, and office supply budgets.

City Treasurer

\$34,665

- The City Treasurer's Office will achieve salary savings from vacant positions. The vacancies will impact the financing program which will result in service delivery delays and slower turnaround of requested information.

Finance

\$133,884

- The Finance Department will reduce a variety of service and supply expenditure budgets causing minimal impact to their travel, training, office supply, rental equipment, and consulting services budgets.

Information Technology

\$140,128

- The Information Technology Department will achieve salary savings from leaving three positions vacant in the Applications Division for the first five months of FY '08. The Department will also delay the replacement of the GroupWise servers that could put the City's email system at an operational risk for possible failure.

Human Resources

\$54,584

- Human Resources will realize savings in Training and Organizational Development by delaying implementation of a computer upgrade project and reducing specialized instruction for City U classes and for City Management Institute (CMI) Alumni events.

Labor Relations

\$18,115

- Labor Relations will achieve salary savings as three employees have volunteered to go on work furlough one day a week. There could be a delay of response time due to the furlough of the investigator position.

Fire

\$700,000

- This additional reduction will further increase the department's projected deficit. The department will return to Council at Midyear to propose a strategy to address the deficit.

General Services

\$245,946

- General Services Department will achieve salary savings by leaving several positions vacant throughout the Department. The work will be done by existing staff and service levels will be reduced in areas such as the Animal Care shelter, delay in the delivery of major construction projects and delay in the delivery of complex real estate transactions.

Transportation

\$434,813

- Transportation Department will achieve salary savings by leaving several positions vacant throughout the Department. The work will be done by existing staff and service levels will be reduced. Debt service will be reduced for Pay & Display parking kiosks due to an advanced payment on the principle. Street

Services will reduce expenses in the Crack Sealing Program by delay in delivery in the annual street resurfacing program.

Neighborhood Services

\$23,005

- Neighborhood Services Department will achieve salary savings by keeping the Director position vacant for six months with minimal impact to programs.

Convention Culture and Leisure Department

\$121,503

- Convention, Culture and Leisure Department will achieve salary savings by leaving several positions vacant throughout the Department and by reducing service and supply expenditure budgets with minimal impact to operations.

Economic Development

\$34,681

- The Economic Development Department will reduce a variety of service and supply expenditure budgets causing minimal impact to their professional services and membership budgets.

Parks and Recreation

\$544,749

- The Department of Parks and Recreation (DPR) will achieve savings using a combination of service and supply cuts, labor savings, program reductions or eliminations, and fee increases.
- In addition to the proposed reductions above, it has been determined that given current hiring controls and an anticipated reduction in workforce in FY2008/09, the Department cannot move forward with the City Council approved Park Maintenance transition plan from contracting to City staff without severely impacting Park Operation's ability to adjust to the anticipated budget shortfalls in FY2008/09.
- At this point, all Park Operations staff is making a living wage. Savings are being generated by keeping current staff in a limited term, no benefit status, instead of the anticipated career appointments. Phase One of the transition plan called for Park Operations to absorb 120 of 200 acres of parkland currently under contract beginning January 1, 2008. However, with respect to the City's projected budget shortfall, the Department of Parks and Recreation is recommending instead that implementation of the parks maintenance transition plan be delayed and remain status quo until the severity of the Fiscal Year 2008/09 shortfall becomes more

defined and an analysis of the full implementation of the transition plan's impacts on the Fiscal Year 2008/09 budget can be identified.

Code Enforcement

\$134,032

- Code Enforcement will achieve salary savings by having securement contractors respond to requests to secure fire damaged properties and bill insurance companies directly without involving Code Enforcement staff. This process change will reduce overtime significantly. In addition, due to a recent change to City code, the City is now only required to send notices to property owners and not to beneficiaries on every Code Enforcement action. This process change reduces the need to request title reports.

Development Services

\$397,841

- The Development Services Department will achieve salary savings by holding various positions vacant throughout the Department and by a reduction in their service and supply expenditure budgets. These reductions will impact customer service and customer outreach. However, this additional reduction will further increase the department's projected deficit. The department will return to Council at Midyear to propose strategy to address the deficit.

Planning Department

\$57,365

- The Planning Department will achieve salary savings by holding two positions vacant in the Public Improvement Finance division with minimal impact to operations.

ATTACHMENT 2

Budget Reduction Strategy Continuum

MODERATE CUTS

(2% OR LESS OF GF BUDGET - <\$5 M)

SIGNIFICANT CUTS

(3-8% OF GF BUDGET - \$5 TO \$20 M)

EXTENSIVE CUTS

(MORE THAN 9% OF GF BUDGET - >\$20 M)

<p>STRATEGY: Manage through requiring 1-2% savings from all areas.</p>	<p>STRATEGY: Manage with a 50-50 use of one-time reserves and ongoing reductions.</p>	<p>STRATEGY: Address with permanent, ongoing, achievable program cuts. Use reserves as needed.</p>
<p>PROGRAM IMPACTS: No significant service reductions likely required. Minor service impacts may be felt. Cuts should be targeted to improve efficiency and effectiveness.</p>	<p>PROGRAM IMPACTS: Additional program cuts with service requirements will be required to reach total. Service level impacts will occur. Holding any major program harmless significantly increases other reductions.</p>	<p>PROGRAM IMPACTS: Major downsizing required. Significant cuts and elimination of programs. Reductions in all areas are required – no programs can be held harmless.</p>
<p>REVENUES: Fee increases should be considered.</p>	<p>REVENUES: Fee increases should be pursued to help mitigate impact of cuts.</p>	<p>REVENUES: Fee increases should be pursued, but cannot cover a gap of this size.</p>

ATTACHMENT 3

Prior Budget Reduction Strategies by Type

Citywide Revenues

- Increased in Business Tax
- Increased In-Lieu Franchise Fee charged to Enterprise Funds
- Elimination of Utility Users Tax exemptions
- Increased Landscape and Lighting Assessment

Department Revenues

- Increased Development/Construction Fees
- Increased Culture and Recreation Fees
- Increased use of Grants

Use of Reserves

- Economic Uncertainty
- Administrative Contingency
- Fleet Fund

Citywide Reductions

- Freeze/Eliminate Positions
- Reduced Cost of Living Increases
- Department Reorganizations and Consolidation
- Privatization of City Services

Reductions – Public Safety

- Reduced administrative and management positions
- Reduced services with minimal public service impact
- Reduced both Sworn and Non-Sworn positions
- Implemented Efficiencies

Reductions – Non-Safety

- Reduced Service and Supply Funding
- Reduced/Eliminated services with little to no public service impact
- Reductions/Eliminated services with public service impact
- Reduced Positions
- Increased Department Reimbursements from Non-General Fund sources
- Implementation of Efficiencies

ATTACHMENT 4

Prior Budget Reduction Strategies by Year**1988-1989**

There is a 13% reduction total budget from previous year due to \$56M reduction in CIP budget ("landmark year" for capital expenditures).

At Midyear, a revenue/expenditure gap was identified. Recommended corrective actions:

- Status quo operation for all GF programs—no adjustments for increased service demands
- Achieve GF savings from a 1% reduction in department operating expenses
- 90-day delay in filling vacant positions; expand to a freeze later
- Limit city contributions to outside agencies
- Minimal capital expenditures for pay-as-you-go capital projects and limit debt financed CIP
- Reserves and contingency funds used to balance GF
- Held eight public hearings on proposed budget
- Maintain Reserve for Economic Uncertainty at 6% of GF resources

1989-1990

Potential GF shortfall averted and the budget balanced using a variety of measures:

- \$1.7M in GF expenditure reductions and elimination of 13 positions
- Implementation of new revenue sources, including in-lieu franchise fee, additions to the UUT (interstate telephone and cable), parking meter changes, lighting and landscape charges, fee increases
- Freeze UUT rate at 7.5% to offset public safety expenditures
- Reduce funds/staffing for some departments

GF expenditure/revenue gap of \$15.7M addressed using Base Budget reductions, new revenues, augmentation fixes.

- Limit \$15M in expenditure reductions to the Base Budget only
- Eliminate FTE, but no staff layoffs result as there were sufficient vacancies to absorb employees whose positions are eliminated.
- Reductions exclude: admin contingency, debt service and equipment replacement
- Minimize reductions to public safety
- Reduce augmentations, and phase in or defer other programs avoid staff layoffs, but eliminate positions
- Maintain minimum levels of service as opposed to totally eliminating services
- New revenues: increase UUT, impose 5% in-lieu franchise fee, parking meter increases

1991-1992/1992-1993

City facing \$27M projected deficit. Council did its first two-year budget. Reduction proposals were reviewed and prioritized based on minimizing impacts to public services. Targeted areas:

- Nonessential service and supply
- Internal positions/programs with little or no direct service impacts
- External positions/programs which reduce or eliminate direct service levels

Reduced expenses and eliminated positions

Increased revenues

To minimize impact of reduction of positions currently filled, the following was done:

- City Manager froze vacant positions citywide in order to provide opportunities for those employees in positions targeted for eliminated to be retained.
- Proposed Budget included 30 new positions in the enterprise funds, further increasing the available positions for employees to transfer to.
- HR developed an alternative employment program for affected employees

1993-1994

This year the City faced the largest deficit in its history to date — \$47million

- No cost of living or benefit increases for City employees (2nd year for unrepresented)
- Extended the UUT to include cell phones; and other new revenues
- Department reorganizations to improve service and efficiency
- Delayed maintenance and eliminated non-essential services
- Hiring and travel freeze
- Used reserves and short-term loan from Fleet
- Eliminated 500 City jobs
- Police and Fire were reduced by 9%. Other Dept. cuts range from 15-20%.

1994-1995

Status quo budget; \$4.5M gap still remains. Innovation and excellence in service delivery is key with continued reduced staff.

- Utilize Gas Tax reserves and expenditure freeze savings (on salary, travel, equipment, and consultants)

1995-1996

A "no growth" budget. City is addressing a \$10M deficit. Remaining staff continue to do "more with less."

- Reprioritization of new programs against existing programs resulting in programmatic reductions.

- Managers encouraged to identify program areas for new or enhanced cost recovery.
- Increases in taxes were not considered as an option for offsetting the deficit.
- Staff training given high priority as impact of years of City staff reductions increases.
- Defer all technology improvements and enhancements
- Identify ways to restructure in order to achieve operating and efficiency as the City "flattens" as an organization (reduce management rather than line staff).

1996-1997

"Sac Decisions"

- Outreach: large effort to educate public about budget realities!
- Seek public participation and community consensus on where to make cuts (surveys, focus groups, Budget bus tours, neighborhood meetings, community workshops)
- Engage business owners and private sector
- Partner with other agencies AND private sector (public/private partnering) to solve problems of mutual concern
- Cut all City department budgets from 12-30%
- Eliminate positions through attrition
- Consolidate, reorganize and streamline City departments
- Reduce overhead
- Find efficiencies and better ways of doing business
- Privatize City services or turn to non-profits to help operate
- Encourage use of volunteers where appropriate (graffiti, neighborhoods, playgrounds)
- Seek grant funding for programs
- Put off purchases of supplies and equipment
- Use onetime sources (reserves) while concurrently reducing services
- "Flatten" City orgs and use staff from different departments and services
- Decentralize services
- Use of consultants to advise in budget reduction process

2001-2002

California energy crisis results in much economic uncertainty. Impressive growth in major revenue sources and delivery of services and program = "Cautious growth" philosophy.

- One-time revenues used for one-time expenditures; on-going costs supported by on-going revenues
- Increase reserves for continued and future economic uncertainty
- Departments asked to develop a list of their critical needs after past cuts. (Resulted in \$65M in budget augmentation requests)

2002-2003

Significant budget challenges, state budget deficit, economic uncertainty and great concern about possible reduction of City UUT from 7.5% to 2.5% (Nov. 2002 Ballot Initiative)

- Budget reflects a "hold the line" philosophy
- Use of one-time reserves to balance budget, but this will not address long-term imbalance in GF. Ongoing GF service cuts will be required.
- Grow the Economic Uncertainty reserve
- Continued opportunity for improved efficiencies using existing resources
- Departments prepared contingency list of reductions
- Held workshop to discuss guidelines for reduction plans
- Developed a specific plan for sustainable budget should state or UUT revenues be lost.

2003-2004

\$25M structural imbalance in General Fund due to financial unknowns, slow revenue growth, unprecedented state budget deficit, increased cost of services, and the current weak economy.

Permanent annual reductions will likely be needed for the next 3-5 years. This does not include additional adjustments that may be needed as a result of state or county budget actions.

Multi-Pronged Financial Strategy:

- Lots of unknowns, but City must remain in position to respond
- Budget Process for FY 03/04 will be a year-long activity to allow responses to financial conditions as they occur.
- Staff will report regularly to Council on implementation of strategies, including departmental savings.
- Maintain the sustainable budget concept
- To balance the FY 2003-04 Proposed Budget, we must:
 - \$8M in department savings
 - Hiring controls which restrict filling vacant positions
 - \$2.6M in new revenues proposed; Staff reports on fee/revenue increases
 - Use \$13M in reserves and funding reallocations to help close gap
 - Above includes releasing \$1.5M in surplus franchise fee revenue held
 - Reallocation of resources within existing budgets
 - Release of department carryover to assist in meeting their needs
- Identify specific reductions that could be implemented (GF reductions of 2.5-5% for public safety and 5-10% non-public safety.)
- Plan for the future by conducting an evaluation of best practices, overlapping services, centralization vs. decentralization, span of control, etc. Savings from

this effort used to offset 5% ongoing reduction requirement anticipated for next fiscal year.

- Maintain Reserve for Economic Uncertainty at 6% of GF resources.

2004-2005

First year fix of \$12.5 M in FY2005

- New revenues
- Organizational efficiencies
- Department reductions

RESOLUTION NO.

Adopted by the Sacramento City Council

FY2007/08 BUDGET REDUCTIONS AND FY2008/09 BUDGET DEVELOPMENT

BACKGROUND

- A. The City Council adopted policy to maintain a fiscally sustainable, balanced budget.
- B. In the General Fund, there is a growing gap between ongoing revenues and expenditures.
- C. The City's budget must be balanced. If the City does not implement budget reduction measures during FY2007/08, the problem will compound in FY2008/09 and beyond.
- D. The City Manager is recommending current year expenditure reductions of \$2.2 million (Exhibit 1) in order to provide both a mechanism to mitigate further revenue loss as well as initiate efforts to reduce expenditure growth in FY2008/09.
- E. The Strategic Planning – Strategic Budgeting process incorporates the City Council's policy direction into the development of the annual budget. The City Manager is recommending adoption of budget reduction principles to serve as policy direction for the development of the FY2008/09 budget.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager is authorized to reduce General Fund department operating budgets by \$3.3 million as outlined in Exhibit 1 and increase the Administrative Contingency by a like amount.
- Section 2. Adopt budget reduction guidelines for the development of the FY2008/09 Proposed Budget.

Exhibit 1 – FY2007/08 Operating Budget Reductions
Exhibit 2 – Budget Development Guidelines

FY2007/08 OPERATING BUDGET REDUCTIONS

Department	Additional Savings
Mayor/City Council	51,728
City Manager	49,511
City Attorney	118,406
City Clerk	19,553
City Treasurer	34,665
Finance	133,884
Information Technology	140,128
Human Resources	54,584
Labor Relations	18,115
Fire	700,000
General Services	245,946
Transportation	434,813
Neighborhood Services	23,005
Convention Culture and Leisure	121,503
Economic Development	34,681
Parks and Recreation	544,749
Code Enforcement	134,032
Development Services	397,841
Planning	57,365
Total	\$ 3,314,509

Budget Development Guidelines

- Preserve employment for career employees
- Use a mix of reserves, new revenues and citywide departmental reductions consistent with a sustainable budget approach
- Evaluate new ways to do business including organizational efficiencies
- Pursue new and enhance existing revenue sources where appropriate to recover costs of programs and services
- Engage the public, unions, City staff and City Partners on an ongoing basis