

Presentation of City's Operating Budget for FY 2009-10 & 2010-11 and Capital Improvement Plan (CIP) for FY 2009-10 through FY 2013-14

CITY OF UNION CITY

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BUDGET DATES

- As a reminder, these are important budget dates:
 - Tuesday, May 26, 2009 (City Council Chambers)
 - Monday, June 8, 2009 Budget Work Session (Council Chambers)
 - Thursday, June 11, 2009 Budget Work Session (UC Sports Center)
 - Tuesday, June 23, 2009 (City Council Chambers)
 - Formal Budget Adoption



BACKGROUND

- Staff is presenting:
 - Proposed Operating Budgets for Fiscal Years (FY) 2009-10 & 2010-11
 - Five-Year Capital Improvement Plan (CIP) for Fiscal Years (FY) 2009-10 through FY 2013-14
 - Redevelopment Agency's Five Year Development Plan for Fiscal Years (FY) 2009-10 through FY 2013-14



BACKGROUND (Cont.)

- Proposed budget document:
 - Balances expenditures with estimated revenues for upcoming 2 fiscal yrs.
 - Maintains a prudent reserve to deal with uncertain changes in local economy
 - Support City's Strategic Planning efforts and City Council's Adopted strategies



TOTAL CITY BUDGET

- Proposed Budget for FY 2009-10 and FY 2010-11 for all funds, including RDA is:

	FY 2009-10	FY 2010-11
General Fund	\$38,404,500	\$38,300,300
Other Operating Funds	56,083,300	45,917,300
Capital Outlay	925,300	813,900
Debt Service	9,559,500	8,265,400
Capital Improvement	37,178,300	9,322,100



DISCUSSION: Economic Outlook

- Local and National Recession
 - Declining property values, rising foreclosure rates, double digit unemployment, deteriorating consumer confidence, credit crunch, and record low in new housing starts.
 - City revenues sources of Property Tax, Sales Tax, and Building Permits are hard-hit.
 - Union City projected to see property tax revenues decline 3.31% in FY 2009-10, compared to previous year.



DISCUSSION: Economic Outlook (Cont.)

- Last Sept., City also lost ability to continue charging a **911 emergency communications fee** on telephones line in City.
 - Fee had generated approximately \$2.7M/year to support Police Dispatch Center and contract for Fire Dispatch services.
 - Services become an added burden on City's General Fund.



DISCUSSION: Economic Outlook (Cont.)

- One bright spot in fiscal picture over past year was passage of **Measure UU** on November ballot.
 - Reauthorized an existing public safety parcel tax
 - Continues for another eight years.
 - Except for \$500,000 earmarked for a new program to combat youth violence, **Measure UU does not provide new funding.**
 - Fiscal picture would be significantly worse without passage of this important measure.



DISCUSSION: Economic Outlook (Cont.)

- Due to severely-declining revenues and continually-increasing operating costs, City has found itself with a projected **structural deficit** of nearly \$7M in General Fund for FY 2009-10.
 - Amounts to approx. 16% reduction in expenditures.



DISCUSSION: Economic Outlook (Cont.)

- Possible Relief on the Horizon
 - U.S. government stimulus package.
 - Some Economists see economic recovery occurring late in year 2009 or early to mid 2010.
- City also faces very real possibility that it could be forced to assist State with its fiscal shortfalls.
 - State now threatening to “borrow” 8% or \$1.47M of City’s property tax revenues in FY 2009-10.
- In addition, CalPERS also expecting retirement rate increases of nearly 30% in FY 2011-12 due to high investment losses.
 - Could mean additional City retirement costs of over \$2M/year.



DISCUSSION: Fee Increases

- Many fees charged to businesses and individuals within Union City have provisions allowing for annual increases based on April to April percentage (%) change in San Francisco Bay Area Consumer Price Index (CPI).
 - From April 2008 to April 2009, CPI increased by 0.8%.
 - Can expect current fee income to rise by similar % over next year.



DISCUSSION: Fiscal Policy

- 3 years ago, City Council worked on developing and adopting a City Council Policy on Fiscal Management.
 - Policy consists of 40 statements that express Council's direction on management of City resources in seven areas:
 - Budget
 - Debt
 - Investments
 - Financial Reporting
 - Capital Improvements
 - Reserve Balances
 - Employee Compensation.



DISCUSSION: General Fund

- General Fund is primary operating fund of City.
 - Supports tradition City services
 - Use of these monies are at the discretion of the City Council and are not ear-marked for a specific use.
 - Expenditures made for Police, Fire, Public Works, Leisure and Community Services, and General Governmental Operations.
- Contrasts with Special revenue and other fund types which can only be used for a specific purpose. Public Safety Parcel Tax is an example of one such special and dedicated revenue source.



DISCUSSION: General Fund (Cont.)

- Highly critical that revenues match expenditures and that a healthy reserve balance is maintained.
 - Majority of cities in Bay Area have chosen to establish a General Fund reserve balance of 15% or higher.
 - Union City has a minimum reserve balance of 7.5%; leaving it more vulnerable to severe unexpected emergencies.



DISCUSSION: General Fund (Cont.)

- Beginning of FY 2008-09, General Fund had unrestricted fund balance of \$7.37 M or 18.4% of expenditures.
 - By end of FY 2008-09, it is projected that this reserve balance will have decreased to \$4.7 M or 11.7% of expenditures.
 - 36% decline in one year due to declining revenues & rising costs.



DISCUSSION: General Fund (Cont.)

- To maintain current operations, City staff projected it would cost General Fund \$45.4 M in FY 09-10.
 - Revenues in FY 09-10 projected to reach \$38.6 M; leaving the General Fund with a structural deficit of nearly \$6.8 M.
 - Without significant new revenue, the only choice is to drastically reduce GF expenditures citywide.
 - Proposed budget allows City to meet its primary goal of remaining solvent and secondary goal of 7.5% reserve.



DISCUSSION: Notable Items

- Extraordinary actions are required to balance General Fund.
 - Impacts are detailed in department section of budget.
 - Plan identifies proposed reductions so affected City staff can plan accordingly.
 - Need to begin sending out tentative layoff notices so that full-year savings can be realized starting as close to July 1 as possible. We will seek authorization from Council on June 9.
 - Staff report lists potentially-affected positions throughout City, subject to final Council approval.



DISCUSSION: Notable Items (Cont.)

- Proposed staffing reduction plan, and the broader expenditure reduction plan, does include Police and Fire Departments.
- Necessary due to fact that these two departments account for nearly two-thirds of General Fund expenses.
- If Public Safety Departments were not reduced, catastrophic reductions of approximately 60% would be needed in all other departments, man of which support Public Safety.
- City would find itself with nearly nothing left but Police & Fire.



DISCUSSION: Notable Items (Cont.)

- Proposed reductions total 24.09 FTE's.
 - With addition of 6.00 FTEs for Youth and Family Services program funded by new Measure UU and grant monies, net reduction in total number of City employees is 18.09 FTEs.



DISCUSSION: Notable Items (Cont.)

- Reductions in force never desirable.
 - Best efforts made to avoid them, but they are necessary since nearly 75% of General Fund operating costs are salary and benefits.
 - Golden Handshakes have been offered to nine employees to reduce the number of layoffs.



DISCUSSION: Notable Items (Cont.)

Golden Handshake:

- Through the efforts of a Golden Handshake that allows for two additional years of Retirement Service Credit, 9 employees will be retiring which retains others in the same or lower classifications from either job termination or bumping.
 - Golden Handshakes were offered only where there would otherwise be a layoff.
 - It is not offered where the vacated position would need to be re-filled.



DISCUSSION: Notable Items (Cont.)

- City has filed a DOJ grant to fund 16 Police Officer positions that otherwise would be eliminated.
 - May not know if successful in attaining until end of Sept.
 - Request to commit up to \$248K in General Fund Reserves to retain 4 filled PD officer positions slated for reduction till Oct 31.



CONCLUSION

- This is a difficult and painful budget to submit.
 - Drastically reduced budget that calls into question fiscal security of City's finances.
 - Fiscal crisis is not limited to Union City, but we are very much affected by it.
 - Regretfully requires layoff of several valuable employees who, through no fault of their own, must be let go due to the lack of funding to retain their services.



CONCLUSION

- City must respond in one of two ways to balance a budget – either raise revenues or reduce expenditures.
 - In coming months, would be prudent to consider other funding sources that would require a vote of people.
 - One such funding source is a utility users tax.
 - In meantime, all Departments have worked collaboratively in finding a solution to keep organization going.



RECOMMENDATION

- Proposed Budget is being submitted to City Council for its review and discussion prior to adoption of fiscal plan for City. No Council action is being requested at this time.

