

2010-11 Budget: Prioritizing City Services

Neighborhoods Commission

November 18, 2009

Overview

- I. 2010-2011 Preliminary General Fund Forecast**
- II. Solving the Shortfall:
Three Major Strategies**
- III. Approach to Prioritizing Services**

I. 2010-11 Preliminary General Fund Deficit



\$96 Million



Ninth Year of Budget Shortfalls—Why?

Expenditures Rising Faster...

- Per Employee Costs
- Retirement Liability
- Operating New Facilities

...Than Revenues

- Economic Downturn
- Cities Have Slow-Growth Tax Revenues



II. Solving the Shortfall: Three Major Strategies

Three Major Strategies

I. Reduce Per Employee Cost

II. Reduce/Eliminate Services

III. Increased/New Revenue

Options to Reduce Per Employee Cost

- Reductions in Pay (base pay and premium pays)
- Modifications/freezing 5% Salary Step Pay Increases
- Second Tier Pension Benefits
- Second Tier Retiree Healthcare Benefits
- Employee Sharing in Unfunded Pension Liability
- Healthcare Cost-Sharing Changes
- Healthcare Plan Design Changes (co-pays)
- Sick Leave Payout Reduction
- Modifications to Overtime Eligibility
- Disability Leave Supplement Reductions

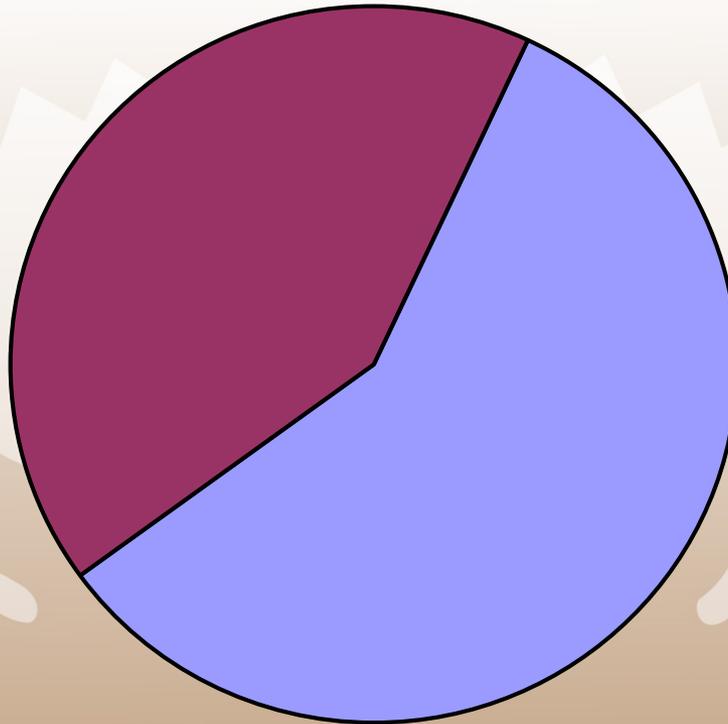


Options to Reduce/Eliminate Services

- 1. Deliver Services with Alternative Models**
- 2. Improve Efficiency**
- 3. Reduce Number of Employees**

Public Safety Is 58% Of Forecast Expenditures (\$ Millions)

**Non-Public
Safety
\$375.1
(42%)**



**Public
Safety
\$519.7
(58%)**

Source: Base Budget for 2010-2011

Options For Increased/New Revenue (Require Voter Approval)

	Potential Annual Revenue
➤ Restructure/Modernize Business Tax	\$500k - \$13M
➤ Parking Lot Tax	\$2.6 M - \$4.5M
➤ Tax on Card Room Bank Groups, Change Card Room Tax, and/or Number of Tables	\$520K - \$12M
➤ Disposal Facility Tax	\$5M
➤ Localized Maintenance Assessment Districts	\$715K - \$1M
➤ Close 30-day exemption on TOT Tax	\$750K - \$1 M
➤ Shift Construction and Conveyance Tax from Capital Projects to Operations & Maintenance	\$1.9M - \$3.2M
➤ 1/4 % Sales Tax increase	\$32.9M
➤ Service-Specific Parcel Taxes	\$7M

Council's Nov. 5 Recommendation

I. Reduce Per Employee Cost	One-third
II. Increased/New Revenue	One-third
III. Operational Efficiencies, Alternative Service Delivery Models	One-third
Preliminary 2010-2011 Shortfall	\$96 m

If these strategies do not prove workable, the shortfall will be solved with service reductions and eliminations.

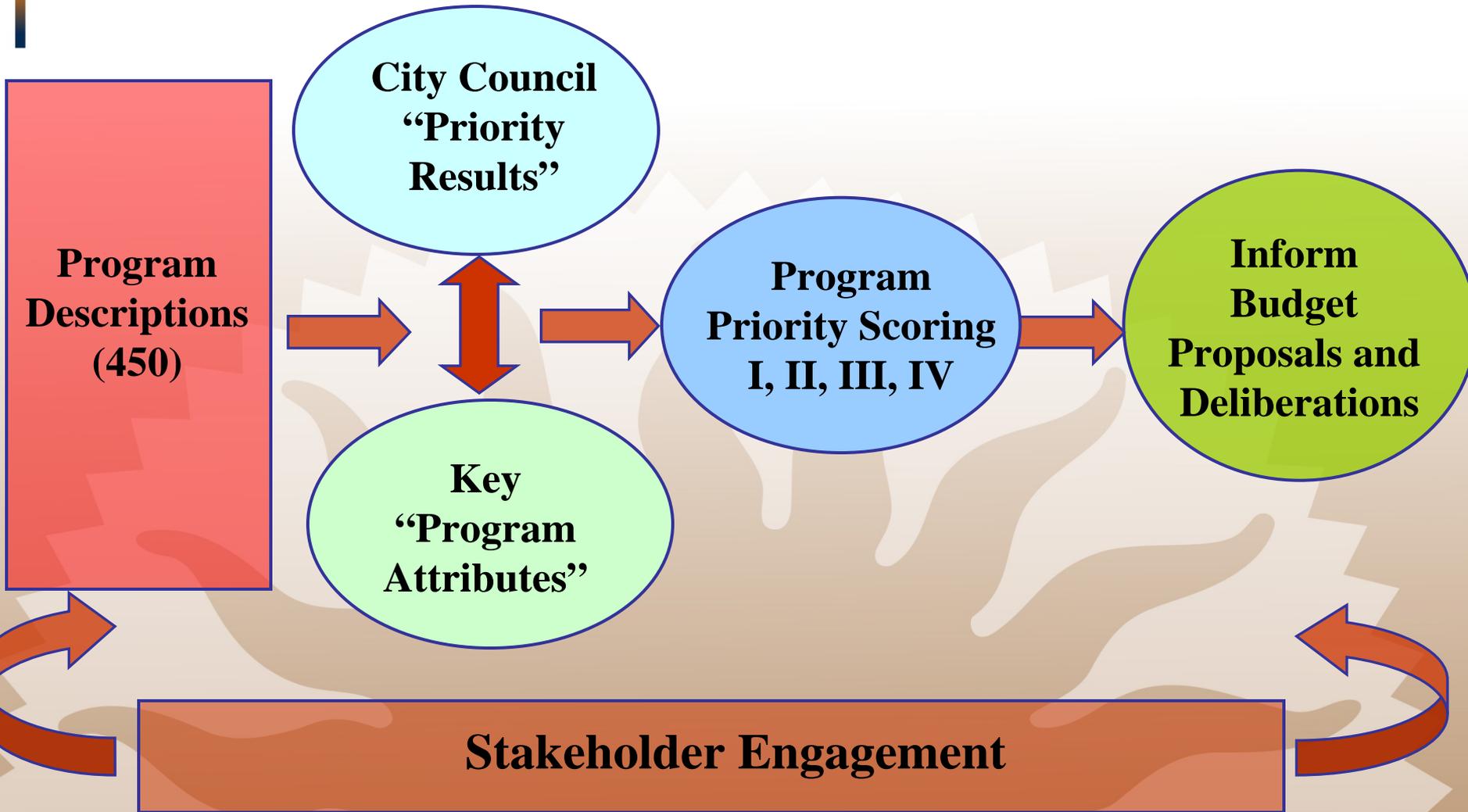


III. Approach to Prioritizing City Services

Why Prioritize Services?

- Limited resources require making choices among current programs
- Councilmembers and stakeholders have expressed an interest in prioritizing services at the program level
- Engage the complexity of services and stakeholder interests

Program Prioritization Framework



San José's “Priority Results” (Draft)

- Safe City
- Prosperous Economy
- Green, Sustainable City
- Vibrant Community
- Attractive, Connected Neighborhoods
- High-Performing, Transparent Government
- Reliable, Well-Maintained Infrastructure

If you had \$100 to invest in achieving the Priority Results, where would you invest your money?

Key “Program Attributes” (Draft)

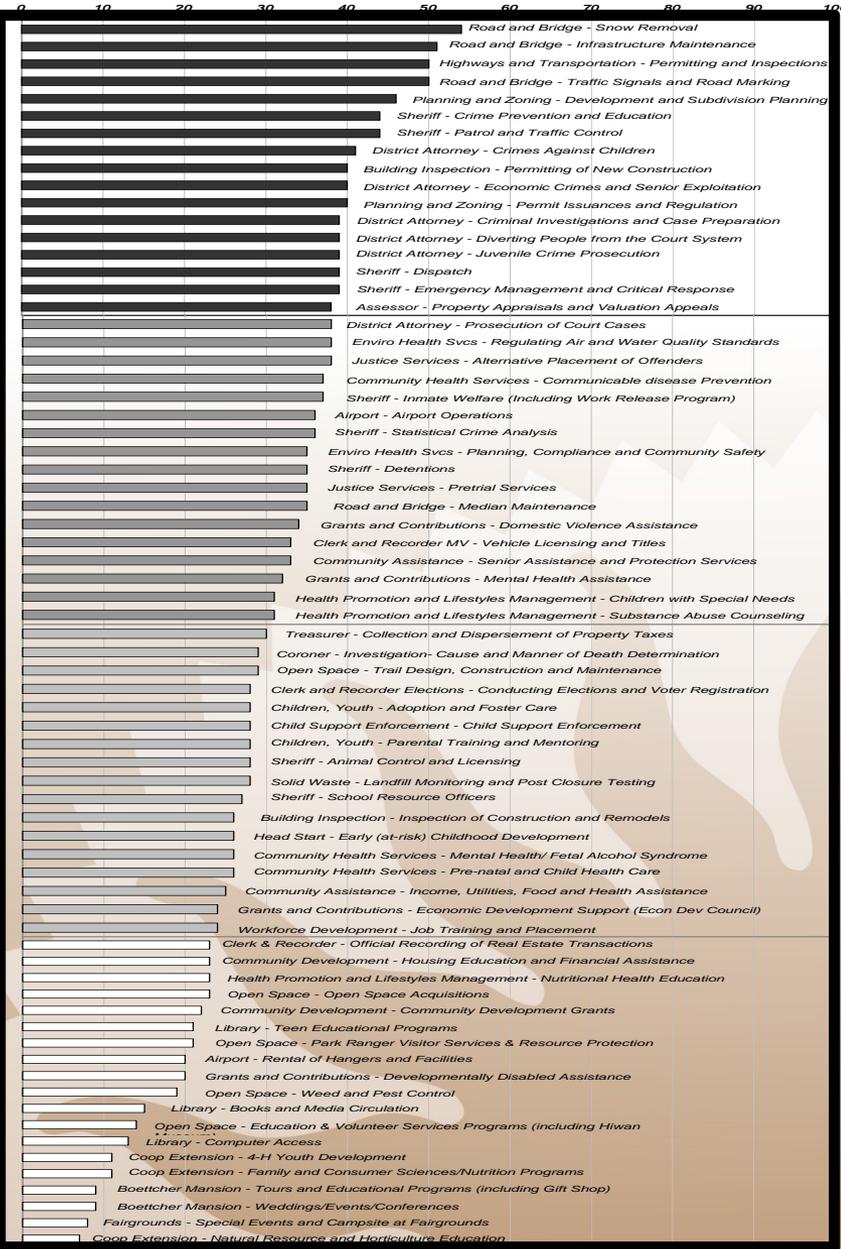
- Degree to which a program is **mandated** by Federal, State, or other regulation
- **Cost recovery** of a program through fees or other non-General Fund revenues
- Potential for **another entity** to assume responsibility for the program
- Trend toward increasing or decreasing **demand** for the program

"Priority 1" Programs (Top 25%, by Valuation)

"Priority 2" Programs

"Priority 3" Programs

"Priority 4" Programs



Programs scored by degree of influence on achieving Priority Results (4 levels)

Source: Jefferson County, Colorado

Priority Ranking of Programs

Ranking of programs *would provide*:

- A way to evaluate the relative impact of City programs on achieving the City's Priority Results
- A way to see how current spending is aligned with priority programs

Ranking of program *would not*:

- Guarantee that lower-priority programs would be eliminated
- Mean endorsement that higher-priority programs are being delivered in the most efficient manner

Outcomes of Program Prioritization

- Increased connection of budget to City's Priority Results
- Stakeholder engagement in program priorities
- Rationale for reducing or eliminating programs that have the least impact on achieving the City's Priority Results

Possible Stakeholder Engagement

- Input to relative weighting of Priority Results (\$100 Exercise)
- Review of program priority scoring
- Discussion of proposed budget in light of program prioritization

Discussion

- Does it make sense to create and share a list of all City programs?
- Would it be valuable to undertake the prioritization project?
- What are ideas for engaging residents?
- How best to use the Jan. 23 Neighborhood Leaders Budget Priority-Setting Session?