



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Les White

SUBJECT: NOVEMBER 28 BUDGET STUDY
SESSION

DATE: November 17, 2006

INFORMATION

BACKGROUND

The City Council will be conducting a Budget Study Session on November 28, 2006 from 9 a.m. – 12:00 p.m. in the Council Chambers. The agenda for this Study Session is attached for your reference. The two agenda items for the session are: (a) the draft Police Department Five-Year Staffing Plan, directed by the City Council as part of the Mayor's June Budget Message for Fiscal Year 2006-2007 and prepared by the Police Department, and (b) as context for the review of this report, several other budget-related status reports, including a 2008-2012 Preliminary General Fund Forecast, a rough inventory of city-wide unmet/deferred infrastructure and maintenance needs that would require General Fund support, and a listing of other potential non-public safety critical service restoration categories.

Our goal for the session is to provide an opportunity for the Police Department to present its view of unfunded staffing and other needs, but to put those potential funding needs into the context of the City's overall fiscal status. We do not expect or even encourage specific direction from the City Council at this time. That direction and decision making should occur in the context of the upcoming 2007-2008 budget process, and only after the Administration has had an opportunity to analyze and comment on the Police Department staffing report, and further refine our forecast and other potential funding requirements.

DISCUSSION

Included in the packet of information for this Study Session in addition to this cover memorandum are four documents: (1) 2008-2012 Preliminary General Fund Forecast, (2) Unmet/Deferred Infrastructure and Maintenance Needs, (3) Selected Non-Public Safety Service Restorations, and (4) Police Department Proposed Five-Year Staffing Plan.

2008-2012 Preliminary General Fund Five-Year Forecast

This initial forecast provides very preliminary financial projections for the upcoming fiscal year, as well as the four following years, to be used as a planning tool at this early point in the process. It is based on the results of only the first quarter of the year, and for several of our largest revenue sources, virtually no real data has been received. Nonetheless, it provides a very preliminary indication of what we can expect next year. The projection for the upcoming year (2007-2008) is for a shortfall of approximately \$19.8 million. This is a significant improvement from the \$41.7 million shown for that year in last February's Forecast document as updated to

DISCUSSION (Cont'd.)

2008-2012 Preliminary General Fund Five-Year Forecast (Cont'd.)

reflect the impact of the 2006-2007 Adopted Budget, reflecting primarily the improvement in revenue collections. The fact remains however, that the forecast indicates deficits next year, and in each of the five years of the projection horizon (ranging from a high of \$38.6 million to a low of \$9.5 million), reflecting the fact that the growth in our expenditure base, when added to the costs scheduled to come on-line for new facilities, is outpacing even the improved revenue growth being experienced by the City in this post recession period. These shortfalls, of course, do not take into account any funding the City Council may decide to commit for increased Police Department staffing, or addressing infrastructure maintenance needs, prior non-public safety service cuts, or the impending new GASB 43/45 retirement benefit accounting rules.

Unmet/Deferred Infrastructure and Maintenance Needs

This report provides a rough set of estimates for the large variety of unfunded infrastructure and maintenance needs for those areas which, if addressed, the General Fund would have to be the sole or partial funding source. The total needs have been estimated at approximately \$445 million currently, and on an ongoing basis approximately \$20-25 million. As noted in this report, these are preliminary estimates, gathered in one document for the first time, and in need of much more analysis, which is ongoing. These initial estimates are being provided to the City Council at this time, however, as an indication of the size and breadth of the needs which have accumulated in almost every element of the City's infrastructure.

Selected Non-Public Safety Service Restorations

This report, prepared by the Budget Office, provides a list of 18 potential non-public safety core service restoration areas, representing services where we feel the reductions of the last five years have produced the most critical service impacts on the public. The total approximate cost for this representative group of services, if restored to a minimal level, is \$13.0 million. This list is not intended to reflect a prioritization of the most critically needed funding needs, and may well omit other service area cuts that departments, City Council members, and citizens would consider as, or maybe more, critical. It is instead intended as context to this discussion to remind us all that there are vital public service reductions that have been injurious to our City that should be considered if any augmentations to the current budget are to be entertained.

Police Department Proposed Five-Year Staffing Plan

This report was prepared by the Police Department, with participation of the City Manager's Office, to provide the City Council with the Department's perspective on critical staffing needs for the coming five year period. It is intended to address workload demands and staff shortages experienced by front-line staff and support personnel throughout the department. The Proposed Staffing Plan calls for an additional 597.5 personnel, including 332 front-line beat patrol officer positions, 146 sworn staff in specialized, investigative, administrative and preventive capacities, and 119.5 non-sworn staff in technical, operational and administrative support roles. The plan has been phased and prioritized so that it can be used for allocation of whatever amount of funding can be provided for departmental growth. The full request for 2007-2008 is for 149.5 sworn and non-sworn personnel additions at an approximate cost of \$20.3 million. The full five year cost totals \$309.3 million.

DISCUSSION (Cont'd.)

General Fund Forecast Scenario

We will need to consider funding for a portion of the Police Department Staffing Plan, infrastructure and maintenance needs identified to date, restoring some of the most critical non-public safety services reduced over the last five years, and a strategy to address the new GASB 43/45 (Retirement Benefits) in the context of the existing funding shortfall for current service levels as presented in the 2008-2012 Preliminary General Fund Forecast. In order to give the City Council an idea of the difficulty that this will present, a potential scenario for addressing a portion of each of these areas of competing needs are displayed in the chart below as additions to the numbers provided in our preliminary updated forecast.

GENERAL FUND FIVE-YEAR FORECAST SCENARIO
 (\$ in Millions)

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
November 2006 Preliminary Forecast	(\$19.85)	(\$27.25)	(\$38.56)	(\$12.51)	(\$9.51)
Police Department Staffing Plan	(\$5.00)	(\$10.25)	(\$15.76)	(\$21.55)	(\$27.63)
Unmet/Deferred Infrastructure and Maintenance Needs	(\$5.00)	(\$3.00)	(\$3.00)	(\$3.00)	(\$3.00)
Selected Non-Public Safety Service Restorations	(\$5.00)	(\$5.15)	(\$5.30)	(\$5.46)	(\$5.63)
GASB 43/45 (Retirement Benefits)	(\$2.00)	(\$4.00)	(\$6.00)	(\$8.00)	(\$10.00)
Revised Forecast	(\$36.85)	(\$49.65)	(\$68.62)	(\$50.52)	(\$55.77)

This particular scenario assumes that the City Council would augment the Police Department's budget in \$5.0 million increments in each of the five years of the forecast with an inflation factor of 5% per year. It further assumes that the City Council would fund \$5.0 million to address a portion of the unmet/deferred infrastructure and maintenance needs in the first year and provide a \$3.0 million funding stream in each of the remaining years. It also assumes that the City Council would provide \$5.0 million in 2007-2008 to partly address the impact of the most critical service needs as a result of past service reductions, with an inflation factor of 3% per year. Finally, this scenario assumes that the City Council would adopt a phase-in strategy to address the new GASB 43/45 requirements by providing increasing contributions toward the liability in \$2.0 million increments each year. This scenario example would revise the 2007-2008 General Fund Forecast to a shortfall of \$36.9 million, growing to \$68.6 million just two years out.

CONCLUSION

In June 2006, the City Council directed the Administration provide a Police Department Five-Year Staffing Plan. The initial view of the requirements for Police staffing has been provided by the department in the attached report. The needs from their point of view are many, and the price tag obviously larger than the City can afford. We also have provided the Council with other reports detailing our projections for the next five years which indicate shortfalls in the General Fund in terms of funding current needs, and reports detailing other pressing funding needs in the infrastructure, maintenance, and operations areas of the City.

The picture, when these lists are viewed together, is clearly one where not all needs can be met, and a clear indication of the difficulty of the task ahead of us as we jointly decide how to allocate the scarce resources that are available. We will be looking to the City Council for guidance and direction in the months ahead in this challenging task, and will be working diligently to refine the cost estimates and projections that have been presented in a very preliminary form for this Study Session.



Les White
City Manager

Attachment: City Council Budget Study Session Agenda