

City Council Special Meeting: 2011-2012 Organizational and Budget Planning

November 18, 2010

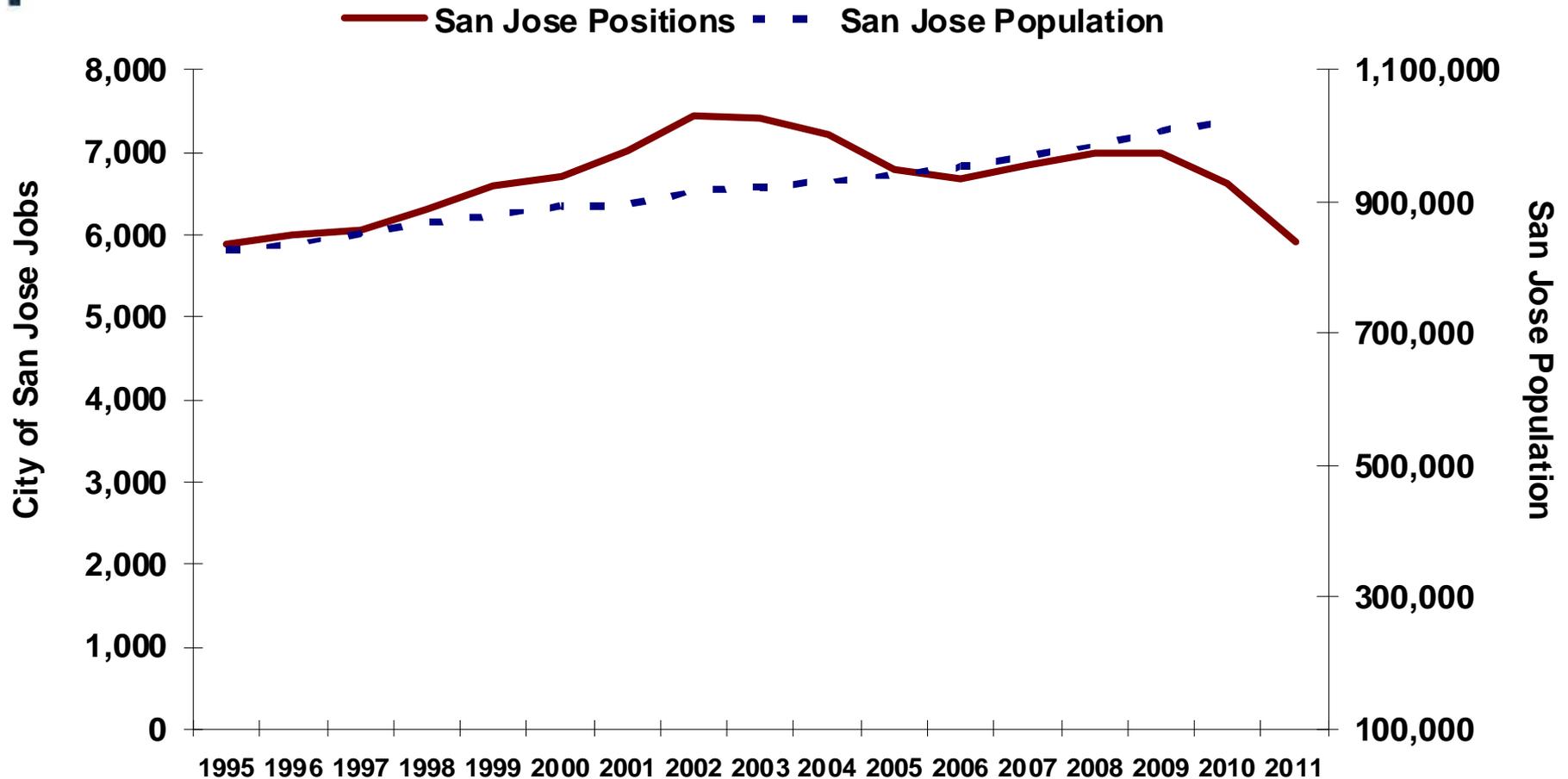
Overview

- I. Organizational Downsizing/
Aligning Workload to Capacity**
- II. Economic Outlook**
- III. 2011-2012 Preliminary General
Fund Forecast**
- IV. Potential Strategies to Address the
Preliminary 2011-2012 General
Fund Shortfall and Beyond**



Organizational Downsizing/ Aligning Workload to Capacity

City Employment Back to 1995 Level, While San Jose's Population Expanded by 24%



Source: City of San Jose Adopted Budget, California Department of Finance

Major Drivers of Workload

- **Delivering Services to our Residents – 80% of Organizational Capacity**
- **Response to Various Major Initiatives – 20% of Organizational Capacity**
 - **Policy Initiatives**
 - **Audit Recommendations**
 - **Ordinances**
 - **Boards, Commissions, & Task Forces**
 - **Council Referrals**

Aligning Expectations to Organizational Capacity

- **Critical Role of Elected and Appointed Leaders**
- **Recognition of Reduced Organizational Capacity**
 - Workplan process for Boards & Commissions
- **Periodic Evaluation of New Initiatives and Requests to Align with Existing Initiatives and Requests and Organizational Capacity**
 - Development of a “Policy Box”

San José's Framework of Aligning Expectations with Organizational Capacity

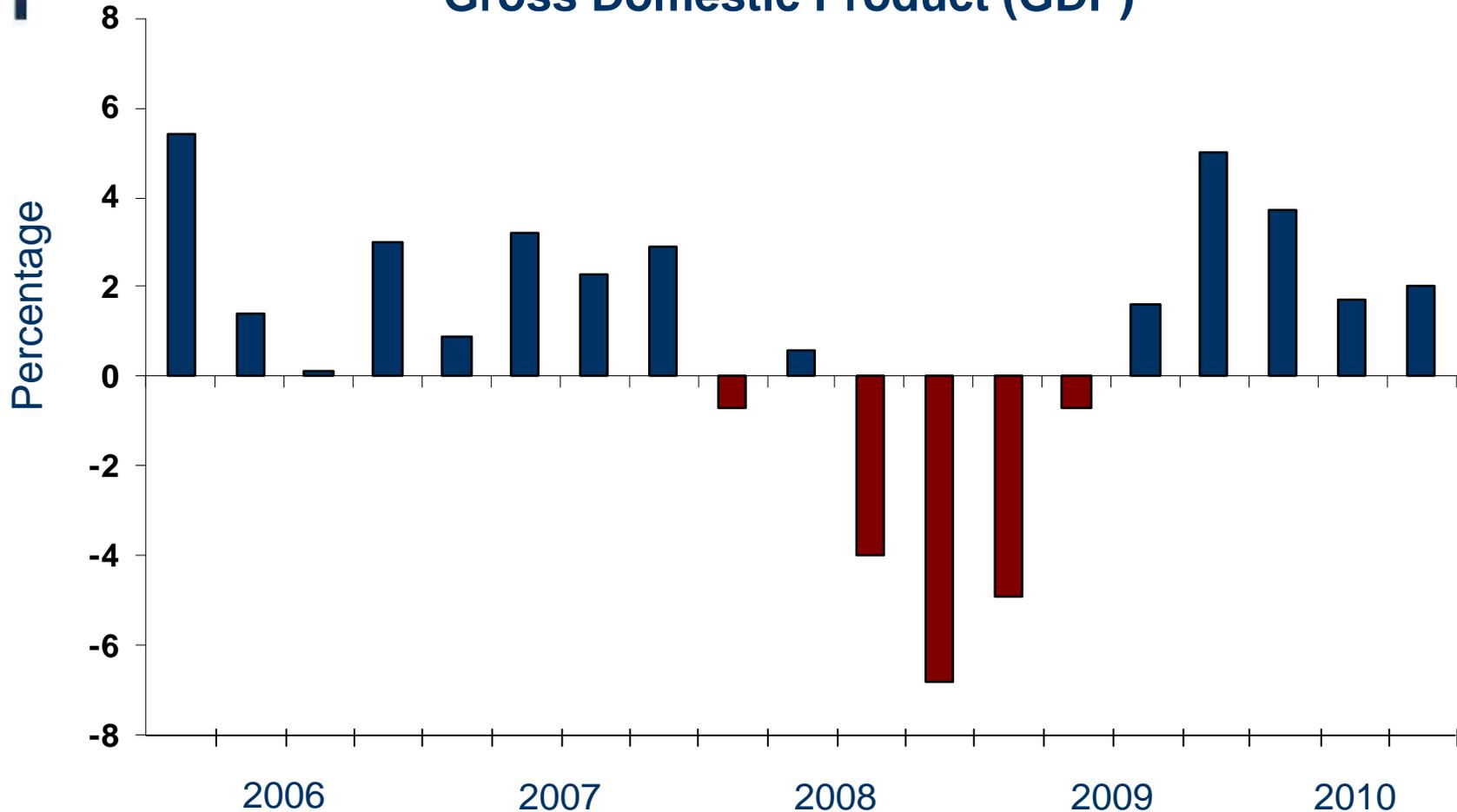
- **Principles to Align Expectations**
 - High Quality Professional Work
 - Proactive Communication about Reduced Service Levels
 - Sound Judgment on the Level of Quality and Urgency
 - Courageous Leadership and Awareness
- **Practices that Align Expectations**
 - Raise Awareness about Workload Impact of Initiatives and Requests
 - Need for Clarity of Direction
 - Communication and Coordination



Economic Outlook

Signs of National Economic “Recovery”, But Tenuous

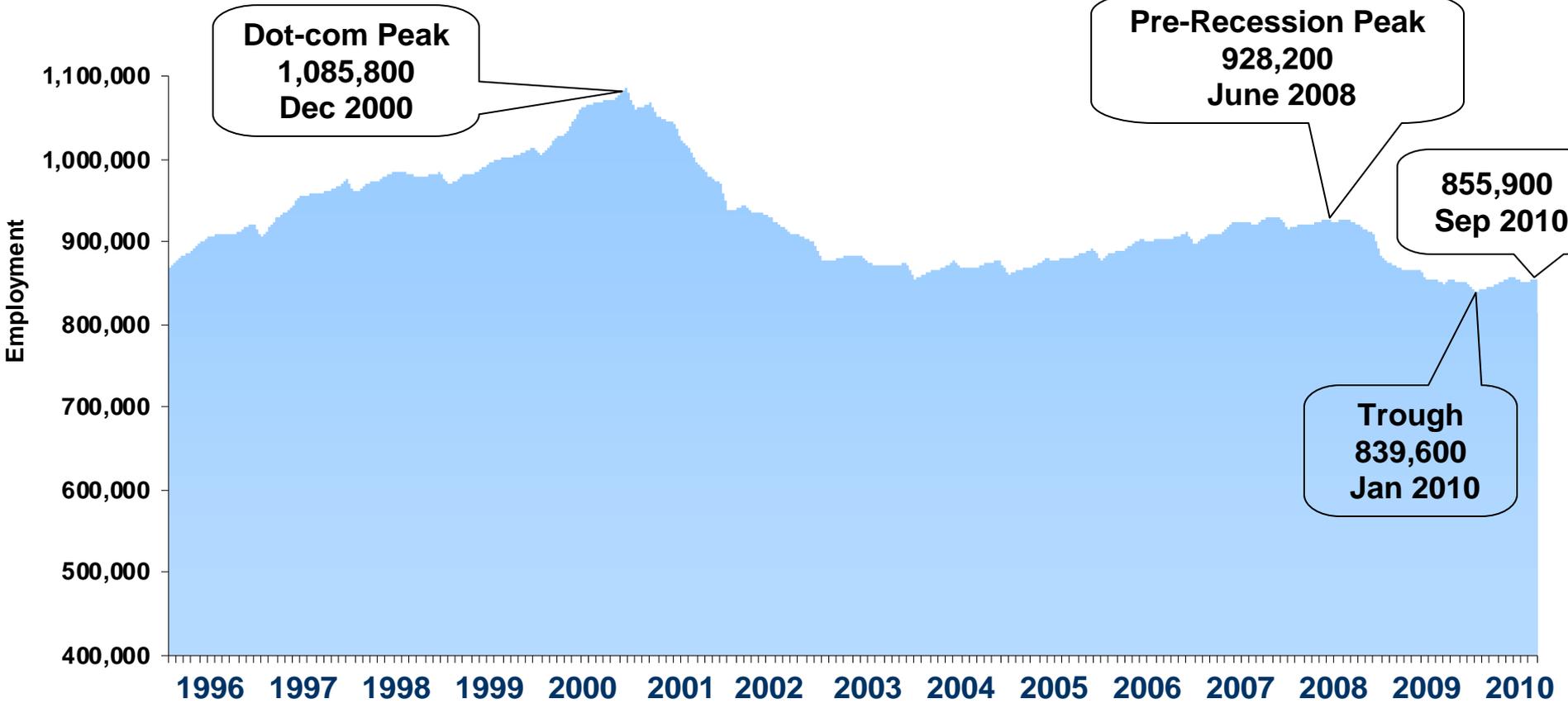
Gross Domestic Product (GDP)



Source: Bureau of Economic Analysis (BEA)

Job Level Is at 79% of Dot-Com Peak, 92% of Pre-Recession Peak

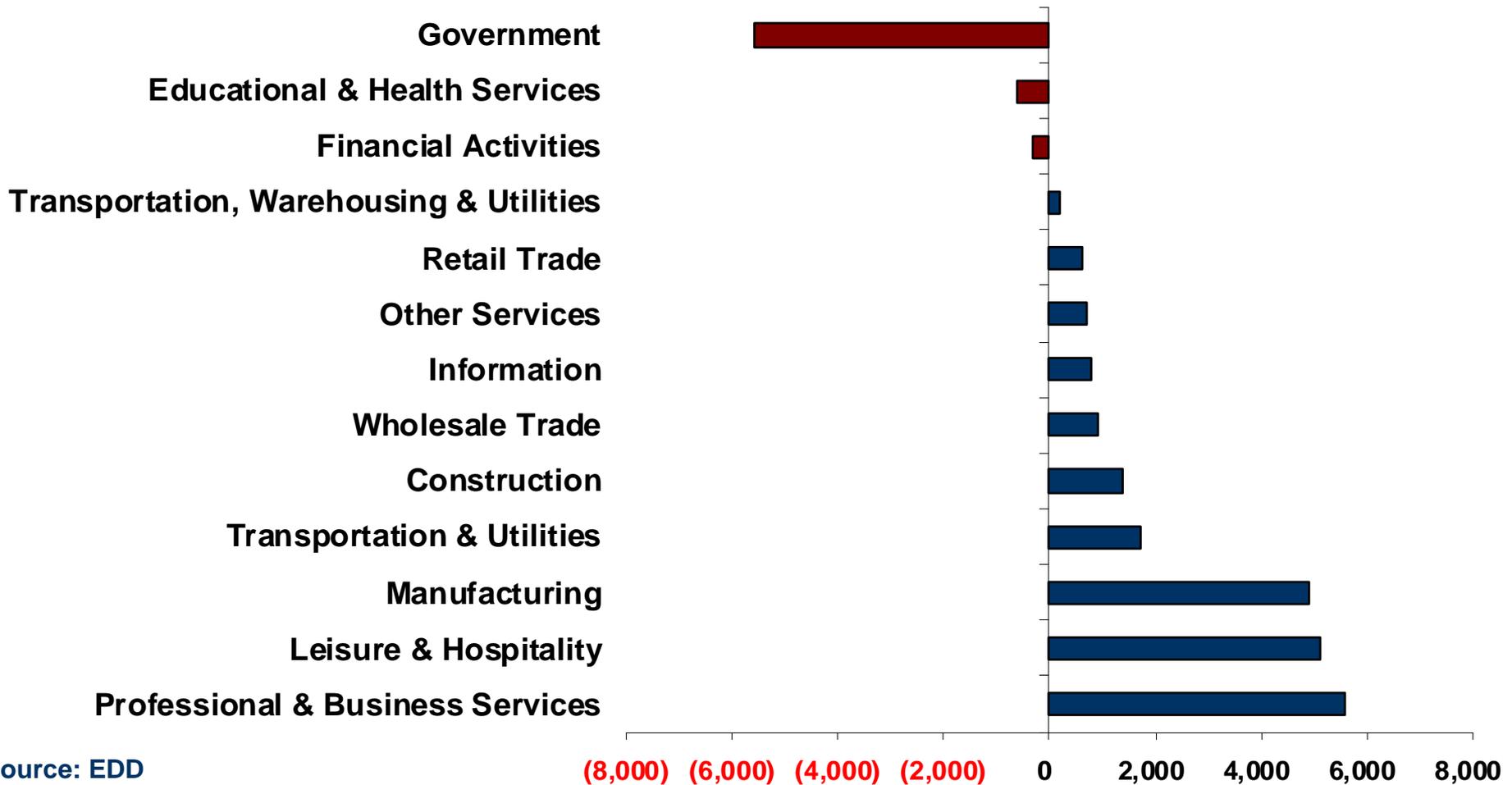
San Jose MSA Employment



Source: EDD

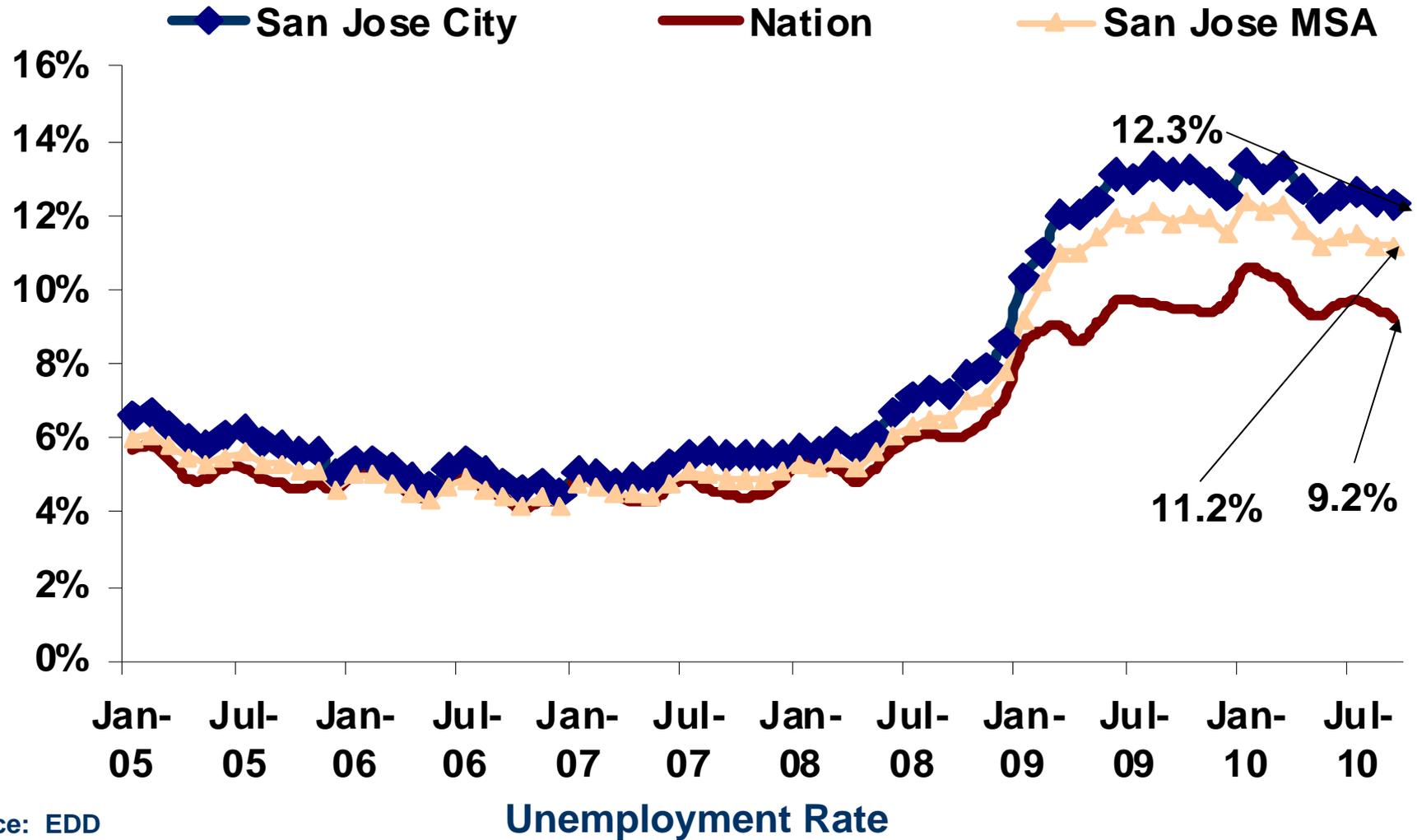
Some 2010 Growth in Most Sectors, Government Contracts

Employment Growth Jan-Sept 2010



Source: EDD

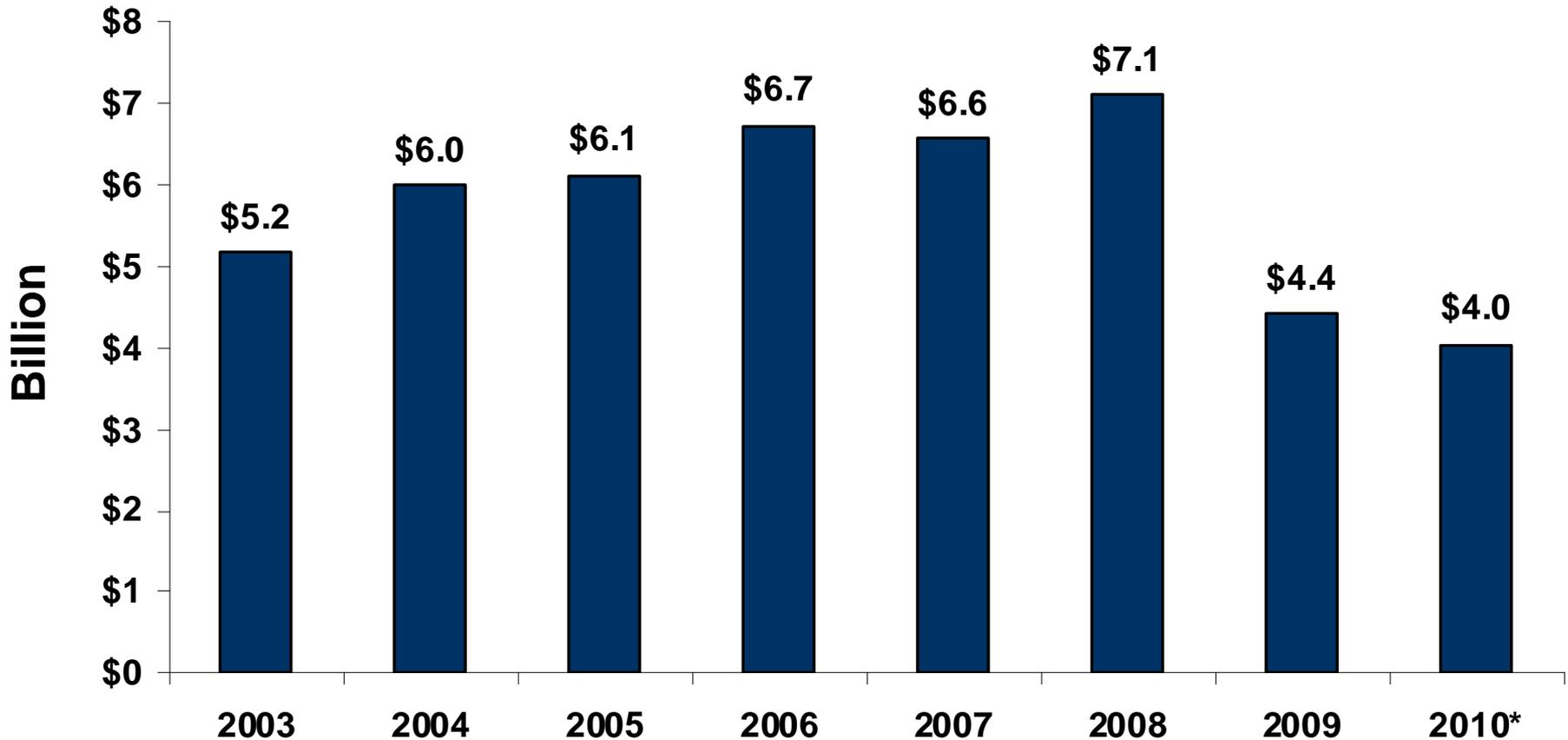
Unemployment Still Grim; Exiters Will Re-Enter



Source: EDD

Unemployment Rate

Venture Capital Critical to Recovery



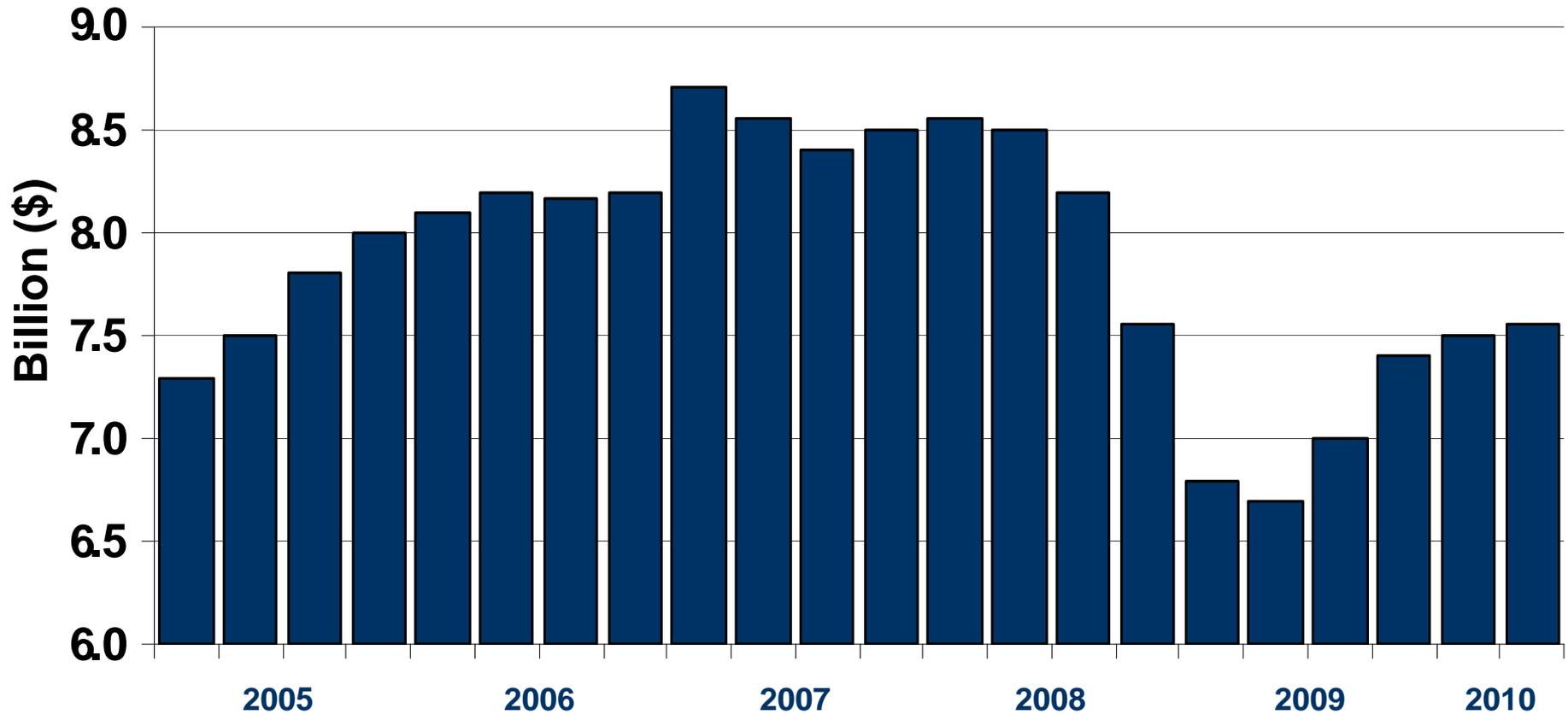
* 3rd Quarter 2010

Venture Capital

Source: PWC Moneytree Survey

Consumers Are Key to Recovery

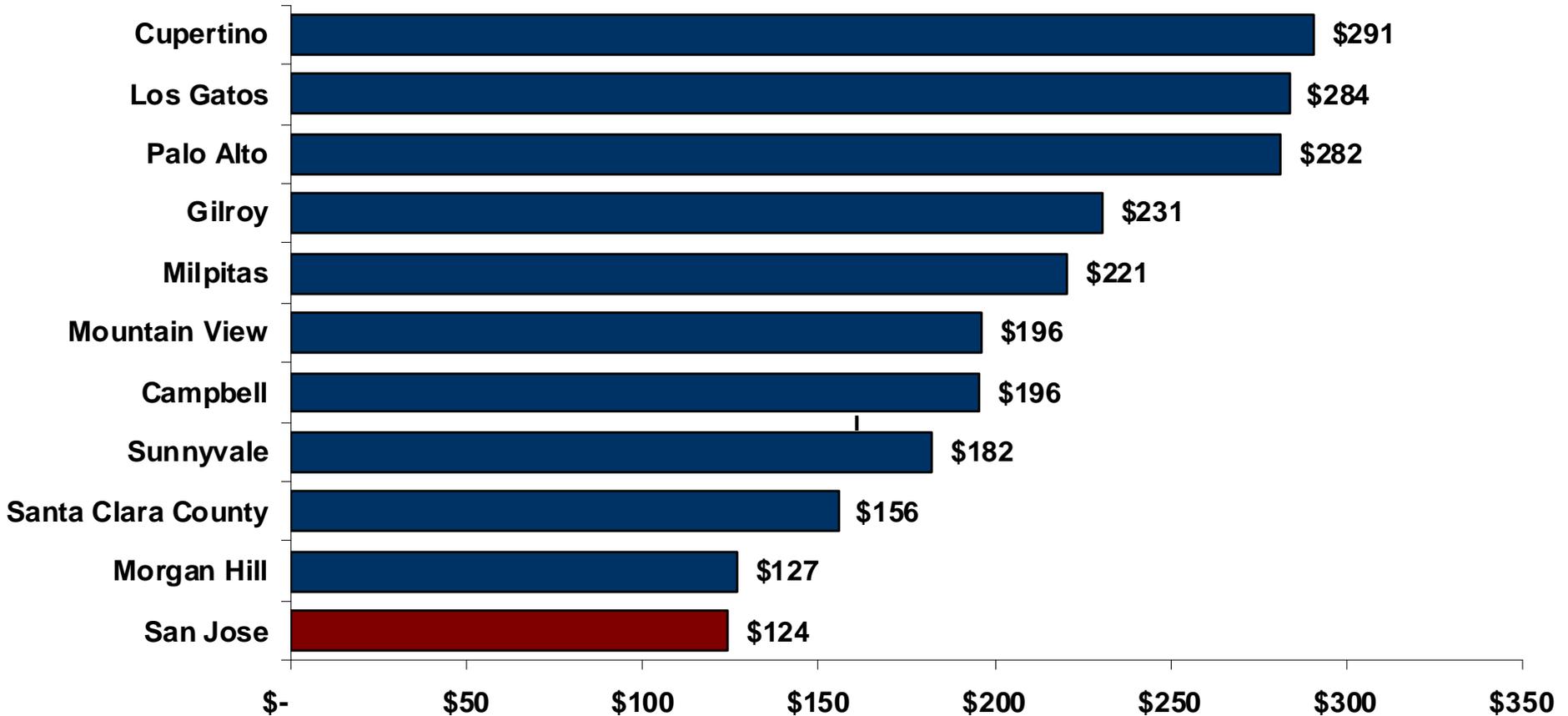
San Jose MSA Taxable Sales



Source: Board of Equalization

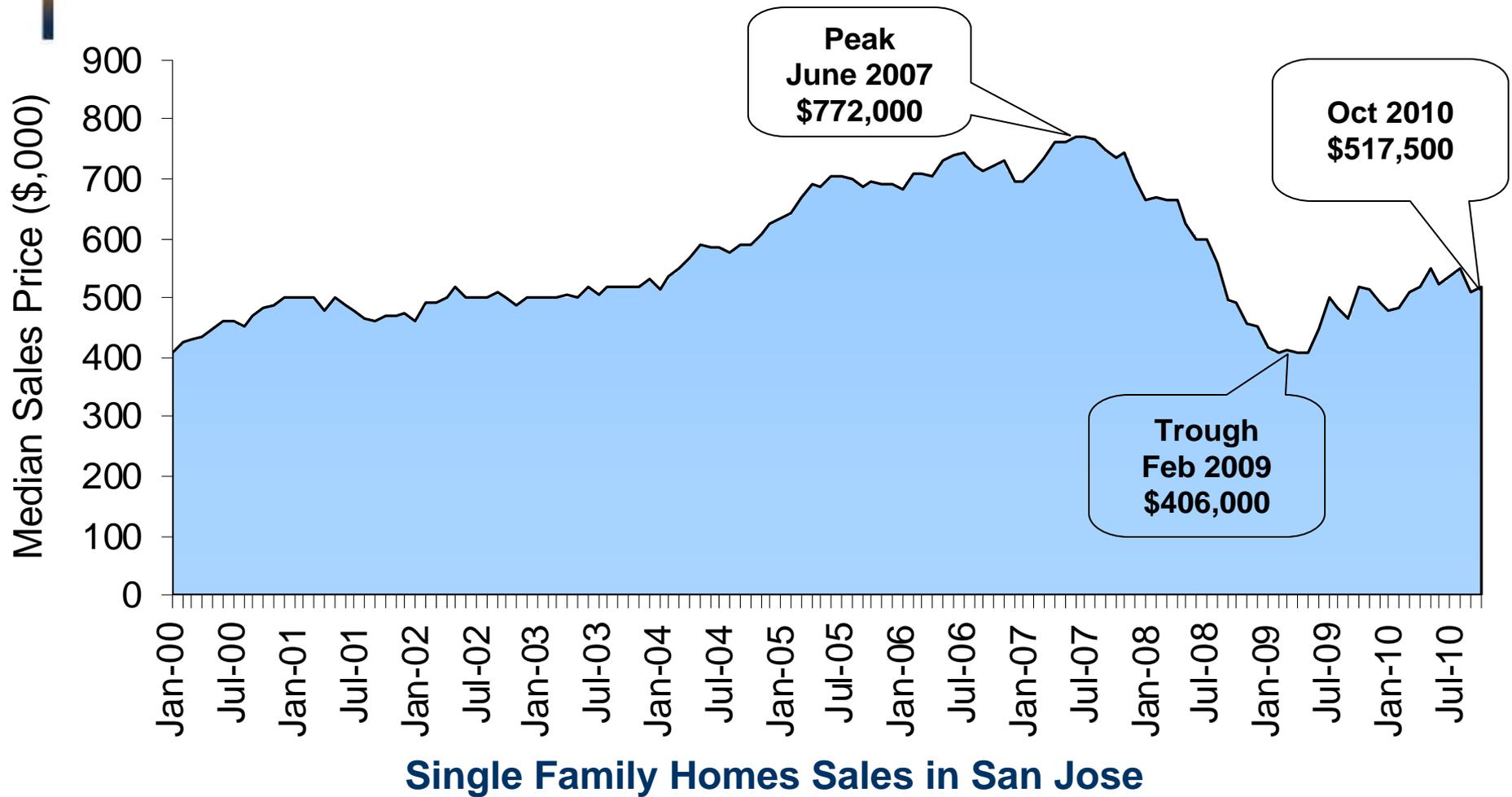
SJ Lags in Sales Tax; City Remains 21% “Under Retailed”

Sales Tax Per Capita



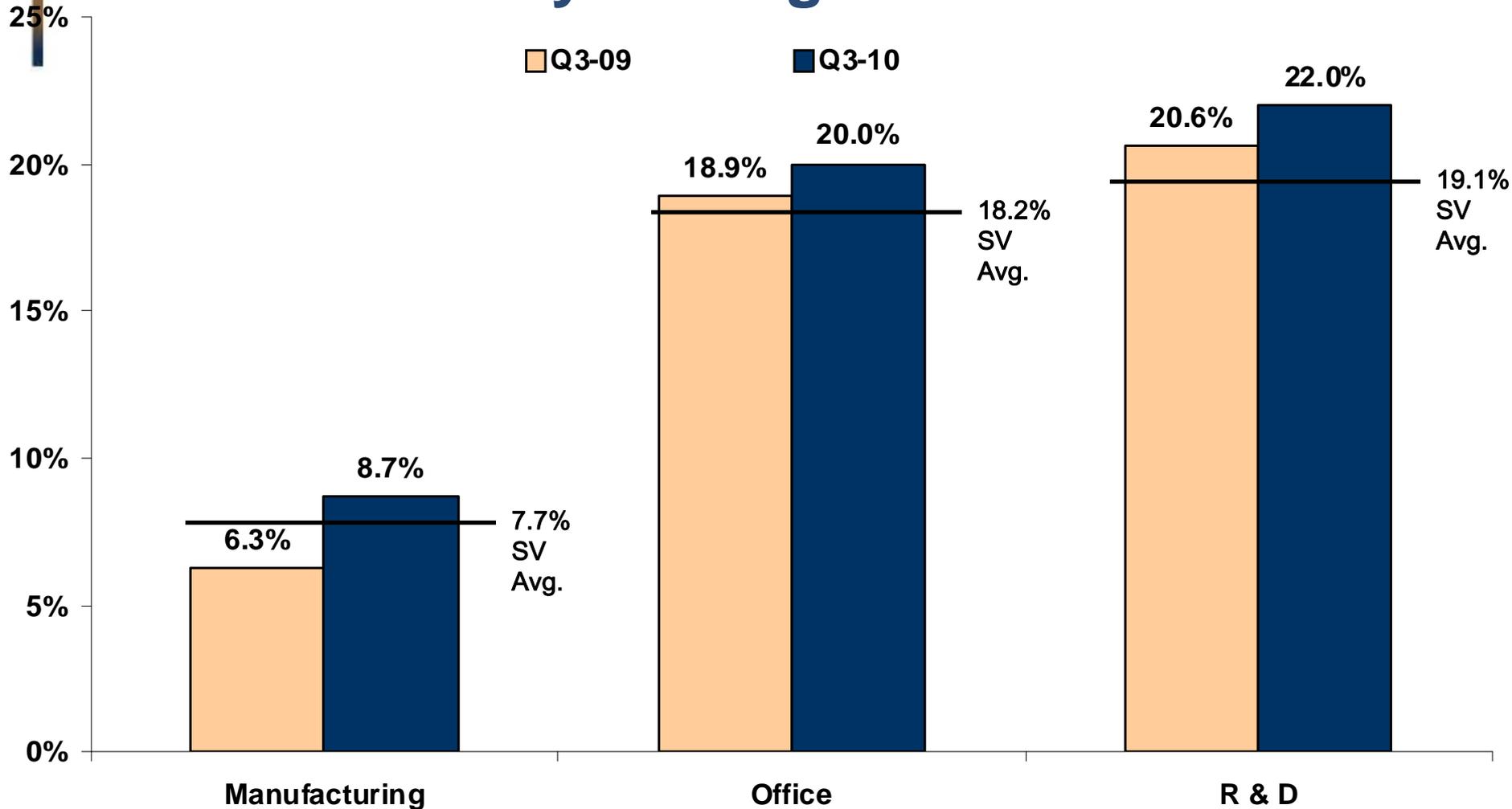
Source: Muniservices

Slow Home Price Recovery has Begun; 20% of Homes Still Underwater



Source: SCCAOR

San Jose Vacancy Rates Still Rising; Are Above Valley Average



Source: NAIBT Commercial

Vacancy Rates, San Jose

Underlying CA Issue: Weak Connect Between City Economic Growth and City Tax Base Growth



Local Economic Growth Is Tied to External Environment

- **State Investment and Reputation**
(budget, infrastructure, education, tax and regulatory)
- **Nation's Economic Fate**
(deficit, tax policy, stimulus, investment)
- **Global Economic Growth**
(developed vs. emerging markets)

What Can We Expect?

- A. “Typical” Post-Recession Bounce**
- B. Double Dip Recession**
- C. Slow Recovery (2011-2015)**



2011-2012 Preliminary General Fund Forecast

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Overview

- Budget outlook for the City continues to remain dismal – revenues not keeping pace with expenditure growth
- Projected deficit of \$70 million marks the tenth consecutive year of General Fund shortfalls and follows two years in which the City addressed combined budget deficits of over \$200 million
- General Fund Forecast should be considered very preliminary as it was prepared during a period of continued economic uncertainty and with limited data available for 2010-2011

2011-2012 PRELIMINARY GENERAL FUND FORECAST

General Fund Projected Budget Shortfall of \$70 Million

Ongoing Funds Available (Shortfall)	(\$ in Millions)
February 2010 Forecast for 2011-2012	(20.18)
2010-2011 Adopted Budget Impact	(20.49)
June 2010 Projected Budget Shortfall	(40.67)
November 2010 Adjustments	(29.20)
November 2010 Projected Budget Shortfall	(69.87)

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Shortfall Increases by \$29.2 Million

- Lower projected revenue levels (\$35.1 million)
 - Revenue down \$27.9 million
(utility tax, franchise fees, Redevelopment Agency, property tax, interest earnings, cardroom tax, airplane in-lieu)
 - \$7.2 million lower fund balance estimate
- Lower net estimated expenditure levels (\$5.9 million)
 - Expenditures down \$16.7 million
(primarily debt service and committed addition costs)
 - Expenditures up by \$10.8 million
(public safety vehicle replacement, healthcare costs, vacancy rates, sick leave payments upon retirement)

2011-2012 PRELIMINARY GENERAL FUND FORECAST

General Fund Projected Budget Shortfall

- 2011-2012 Preliminary Forecast revenue collections not only continue to lose ground, but are insufficient to keep up with the projected growth in expenditures

2011-2012 Shortfall Component (Ongoing)	\$ in Millions
Carry-Over from 2010-2011 Adopted Budget	(\$ 20.5)
Major Expenditure Changes	
- Increased Retirement Contribution Rates Police (\$9.6 million), Fire (\$5.0 million), Federated (\$6.9 million)	(21.5)
- Increased Health Care Costs	(4.1)
- Salary Step/Performance Increases	(3.1)
- 2011-2012 Committed Additions (capital projects scheduled to come on-line)	(6.6)
- Public Safety Vehicle Replacement	(4.4)
- Other Adjustments	(0.2)
Sub-Total Expenditure Changes	(\$39.9)
Decreased Revenue Estimates	(\$9.5)
Total 2011-2012 Projected General Fund Shortfall	(\$69.9)

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Key Revenue Assumptions

- **Property Tax:** 3.2% decline in 2010-2011
2.0% growth in 2011-2012
- **Sales Tax:** 3.5% growth in 2010-2011
3.5% growth in 2011-2012
- **Other Economically Sensitive Categories:**
Slow growth in 2011-2012
- **Non-Economically Sensitive Categories:**
Adjusted for anticipated rate changes, updated costs

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Key Expenditure Assumptions

- **Compensation:** Ongoing 5% (POA-0.67%) concessions for certain employee groups, no other salary changes; salary step/performance increases (\$3.1 million)
- **Retirement:** City contribution rate projected increases (\$21.5 million)
 - Police (from 42.59% to 49.39%)
 - Fire (from 43.77% to 50.32%)
 - Federated (from 28.31% to 32.99% and from 20.86% to 25.54%)
- **Health:** 6.8% increase in January 2011 and projected 15.0% increase in January 2012 (\$4.1 million)
- **Development Fee Programs:** Net-zero impact
- **Base Budget Adjustments:** Eliminate one-time allocations and annualize budget actions

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Major Service Reductions Effective July 2011

Major Service Reduction	Savings	Positions
Police Patrol Staffing Reduction	\$ 9,167,000	62.00
Satellite/Neighborhood Centers Closure	3,190,000	38.47
One Fire Engine Company Elimination	2,381,000	13.00
Branch Library Hours Reduction (4-5 hours)	1,789,000	21.67
Senior Nutrition Program Elimination	1,164,000	25.86
Park Ranger Program Reduction	752,000	8.98
Sexual Assaults Investigation Unit Staffing Reduction	581,000	3.00
Dr. Martin Luther King, Jr. Library Service Reduction	549,000	5.63
City Attorney Staffing Reduction	437,000	3.00
PRNS Special Events Reduction	425,000	6.67
Police Horse Mounted Unit Elimination	282,000	1.00
Building Fee Program	236,000	10.50
General Code Enforcement Program Staffing Reduction	229,000	2.00
Strong Neighborhoods Initiative Staffing Reduction	222,000	3.00
Workers' Compensation Claims Adjuster Staffing Reduction	218,000	2.00
Anti-Graffiti Program Staffing Reduction	211,000	2.00
Development Services Program Manager Elimination	175,000	1.00
Information Tech Business Application Management Reduction	136,000	1.00
Arts Express (K-12 Arts) Program Elimination	131,000	1.00
STAND Program Gang Intervention Program Staffing Reduction	125,000	1.63
Special Tenant Improve/Industrial Tools Improvement Reduction	106,000	2.00
Almaden Lake Park Aquatics Program Elimination	70,000	3.22
Lake Cunningham Marina Closure	60,000	1.51
Total	\$22,636,000	220.14

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Committed Additions Total \$6.6 Million

- Maintenance and operating costs for new capital projects approved in the Adopted Capital Improvement Program
 - Includes: South San Jose Police Substation, Four Branch Libraries (Bascom, Calabazas, Educational Park, Seven Trees), Bascom Community Center, and miscellaneous other small facilities
- Revised opening dates for several facilities approved as part of the 2010-2011 Adopted Budget

2011-2012 PRELIMINARY GENERAL FUND FORECAST

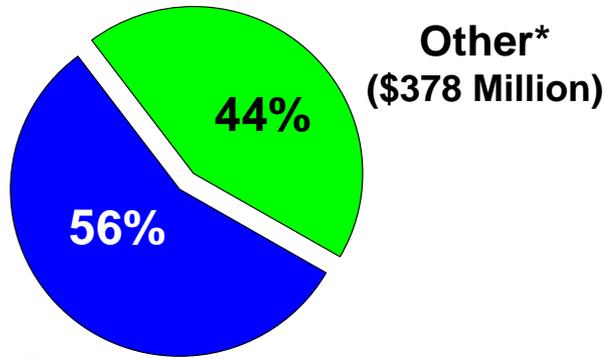
Revenues/Expenditures Not Included in Forecast

- Outcome of negotiated labor agreements/arbitration
- Additional costs from unmet/deferred infrastructure and maintenance needs
- Additional impacts from San Jose Redevelopment Agency
- One-time revenues and expenses

2011-2012 PRELIMINARY GENERAL FUND FORECAST

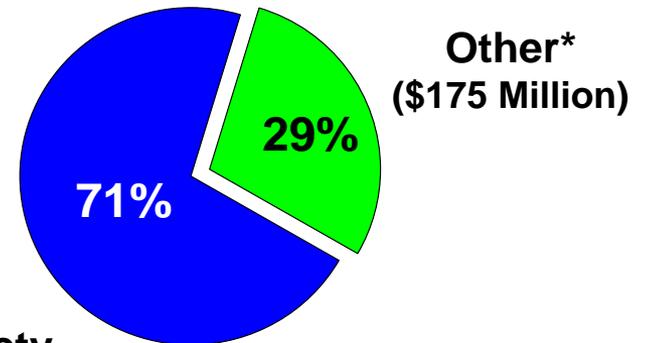
2011-2012 Base Budget Expenditures Eligible for Reduction

**2011-2012
Base Expenditures
(\$864 Million)**



**Public Safety
(\$486 Million)**

**2011-2012
Eligible Base Expenditures**
(\$610 Million)**



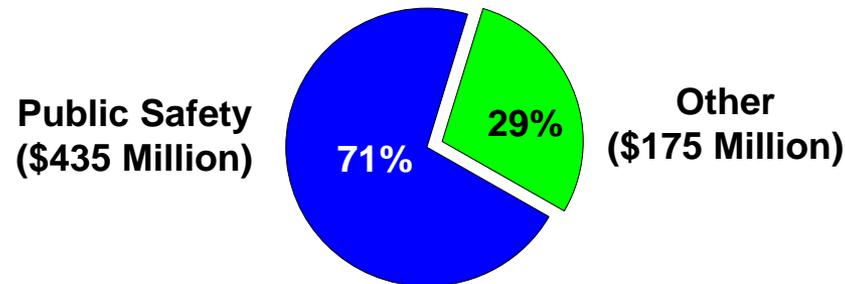
**Public Safety
(\$435 Million)**

- * Other includes PRNS, Library, General Services, Information Technology, Transportation, Finance, Human Resources, PBCE, Economic Development, Mayor, City Council, Council Appointees, etc.
- ** Eligible Base Expenditures exclude grants, reimbursements, fee-supported activities, debt service, Contingency Reserve, workers' compensation costs, sick leave payments upon retirement costs, contractually required facility subsidies, and other non-discretionary items

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Expenditure Reduction Impact Scenarios

2011-2012 Eligible Base Expenditures (\$610 Million)



Expenditure Reduction Scenarios (\$70M Reduction)

	Public Safety % Reduction	Other % Reduction	Public Safety \$ Reduction	Other \$ Reduction	Public Safety <i>% of Remain Budget</i>	Other <i>% of Remain Budget</i>
Scenario 1	0%	40%	\$0M	\$70M	81%	19%
Scenario 2	5%	28%	\$22M	\$48M	76%	24%
Scenario 3	10%	15%	\$44M	\$26M	72%	28%

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Potential Budget Balancing Scenario

\$ in Millions

Total Preliminary Projected General Fund Shortfall (\$70.0)

Potential Budget Balancing Scenario:

Cost Savings Strategies

IAFF Total Compensation Reduction (10%)	(12.4)
MEF/CEO Total Compensation Reduction (10%)	(11.9)
MEF/CEO Wage Reduction (2%)	(2.1)
POA Total Compensation Reduction (6.18%)	(14.2)
Ongoing Implementation of One-Time Reduction for all Employee Groups	(11.6)
Service Delivery Model Changes (Reorganizations/Outsourcing)	(1.0)
Subtotal	(\$53.2)

Revenue Strategies

Fees/Reserves/Transfers	(5.0)
2011-2012 Future Deficit Reserve	(1.3)
Subtotal	(\$ 6.3)

Service Reductions/Eliminations Strategies (\$10.5)

Total Preliminary Solutions (\$70.0)

2011-2012 PRELIMINARY GENERAL FUND FORECAST

Immediate Next Steps

- Continue monitoring/reporting current year revenues and expenditures and economic impacts on the City's budget
- Early direction on labor negotiations and organizational and service restructuring
- Issue 2011-2012 departmental reduction targets
- Explore early implementation of service reduction actions
- Five-Year General Fund Forecast update to be released late February 2011



Council Discussion



Potential Strategies to Address the Preliminary 2011-2012 General Fund Shortfall and Beyond:

Control Labor Cost Escalation

Diversity of Workforce and Services

- Wide variety of services
 - Over 600 Classifications
 - Unbenefitted temporary/seasonal part-time positions
 - Management and Executive positions
- 96% of employees are represented by 11 bargaining units

Bargaining Units

Bargaining Unit	FTEs
San Jose Fire Fighters, Local 230 (IAFF)	647
Association of Building, Mechanical and Electrical Inspectors (ABMEI)	49
International Brotherhood of Electrical Workers, Local No. 332 (IBEW)	75
Association of Legal Professionals (ALP)	38
San Jose Police Officers' Association (POA)	1204
International Union of Operating Engineers, Local No. 3 (OE#3)	759
Association of Engineers and Architects (AEA)	199
Association of Maintenance Supervisory Personnel (AMSP)	79
City Association of Management Personnel (CAMP)	345
Municipal Employees' Federation (MEF)	1850
Confidential Employees' Organization (CEO)	191
Total Represented Employees	5436

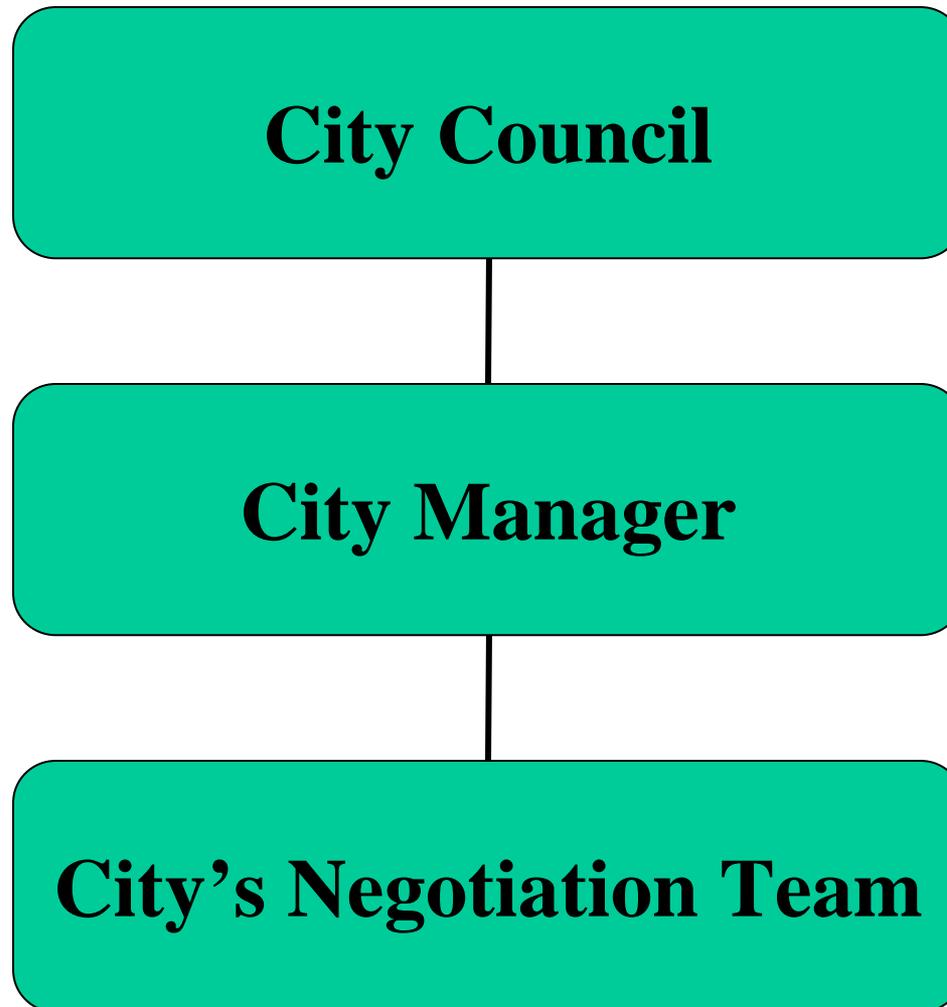
2011 Negotiation Schedule

Bargaining Unit	Contract Expiration
IAFF	06/30/09*
ABMEI	12/10/09**
IBEW	06/30/11
OE#3	06/30/11
ALP	06/30/11
AMSP	06/30/11
AEA	06/30/11
CAMP	06/30/11
POA	06/30/11
MEF	06/30/11
CEO	09/17/11

* Although the contract with the San Jose Fire Fighters, Local 230 expired in June 2009, an agreement has not been reached to date.

** There is no current contract with ABMEI, however, the items previously implemented for ABMEI were for Fiscal Year 2010-2011.

Labor Negotiations



Applicable Policies & Regulations

- Meyers-Milias-Brown Act (MMBA)
- City Charter
- Employer-Employee Relations Resolution
- Council Labor Negotiations Guidelines

2010-2011 Direction

- 10% Total Compensation Reduction
 - 5% Ongoing
 - 5% One-time or Ongoing
- Full pre-funding of retiree healthcare
- 2nd Tier retirement benefits for new hires (pending)

Fiscal Year 2010-2011 Concessions

Progress in Achieving 10% Total Compensation Reduction				
Employee Unit	Fiscal Year 2010-2011 Total Compensation Changes			
	Ongoing	One-Time	Total	Step/Performance Increases
Unit 99/Unit 82	-5%	-5%	-10%	No
AEA	-5%	-5%	-10%	No
ALP	-5%	-5%	-10%	No
AMSP	-5%	-5%	-10%	No
CAMP	-5%	-5%	-10%	No
IBEW	-5%	-5%	-10%	Yes
OE#3	-5%	-5%	-10%	Yes
ABMEI	-5%	0%	-5%	No
POA	-0.67%	-3.15%	-3.82%	Yes
IAFF, Local 230	TBD	TBD	TBD	Yes
MEF	+2% (salary only)	0%	+2% (salary only)	Yes
CEO	+2% (salary only)	0%	+2% (salary only)	Yes

Healthcare Cost Containment

Progress in Achieving Healthcare Changes						
	Cost Sharing		Co-Pays		Reduction in Health/Dental In-Lieu	Elimination of Dual Coverage
	90/10	85/15	\$10	\$25		
Unit 99/Unit 82		X		X	X	X
POA		X		X	X	X
ALP		X		X	X	X
ABMEI		X		X	X	X
AEA	X		X			
CAMP	X		X			
IBEW	X		X			
AMSP	X		X			
OE#3	X		X			
IAFF, Local 230	X		X			
MEF	X		X			
CEO	X		X			

Note: The San Jose Fire Fighters is the only remaining bargaining unit that still has a \$150 monthly cap on the 90/10 cost sharing split.

Phasing into Pre-Funding of Retiree Healthcare

Progress in Achieving Phase-In to Full Pre-Funding		
Employee Unit	Yes	No
Unit 99/Unit 82	X	
POA	X	
ALP	X	
ABMEI	X	
AEA	X	
CAMP	X	
IBEW	X	
AMSP	X	
OE#3	X	
MEF	X	
CEO	X	
IAFF, Local 230		X

2011-2012 Base Budget

- General Fund shortfall currently estimated to be **\$70 million**
- Almost three-fourths of the General Fund is personnel costs

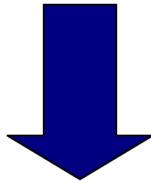
2011-2012

Major Budget Strategies

I.	Reduction in Employee Total Compensation Costs
II.	Transition to Alternative Service Delivery Models
III.	Reduction or Elimination of Services to Our Community

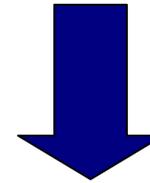
To Achieve \$70 million in Savings

General Fund Shortfall
\$70 million



Position Eliminations Sworn & Non-Sworn Personnel	Percentage of GF Workforce
500	13.29%

OR



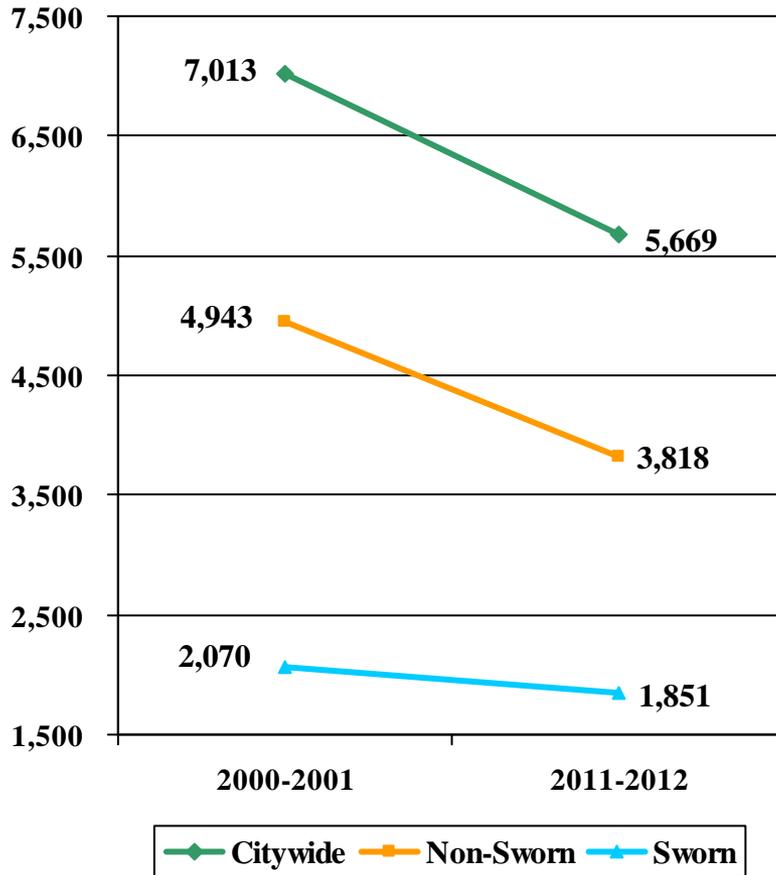
Reducing Total Compensation (General Fund)
12.5%

2011-2012 Projected Base Budget Citywide Salary and Benefits

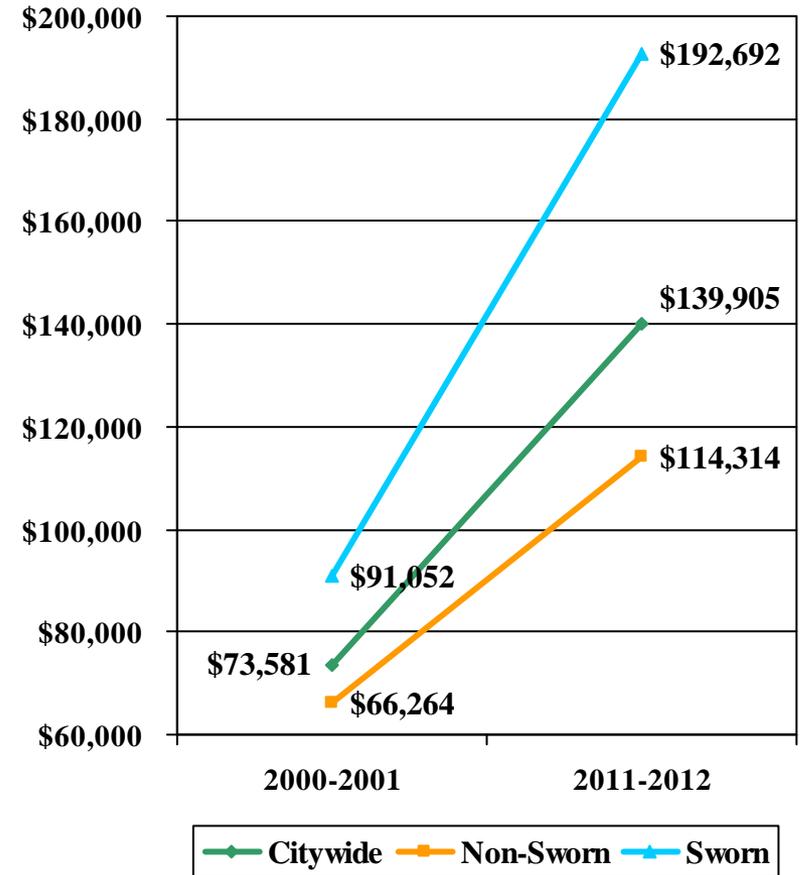
Citywide Salary & Benefits			
	2000-2001	2011-2012	Difference
GRAND TOTAL	\$515,990,607	\$793,136,813	53.71%
Base Payroll	\$416,010,420	\$520,021,634	25.00%
Retirement Benefits	\$63,054,083	\$194,359,828	208.24%
Health/Dental Benefits	\$30,317,792	\$64,592,359	113.05%
Other Benefits	\$6,608,312	\$14,162,992	114.32%
Average Total Cost Per FTE	\$73,581	\$139,905	90.14%
TOTAL FTE	7,013	5,669	-19.16%

Total Employees and Average Costs Per Employee

Total Employees (FTEs)



Average Cost per FTE



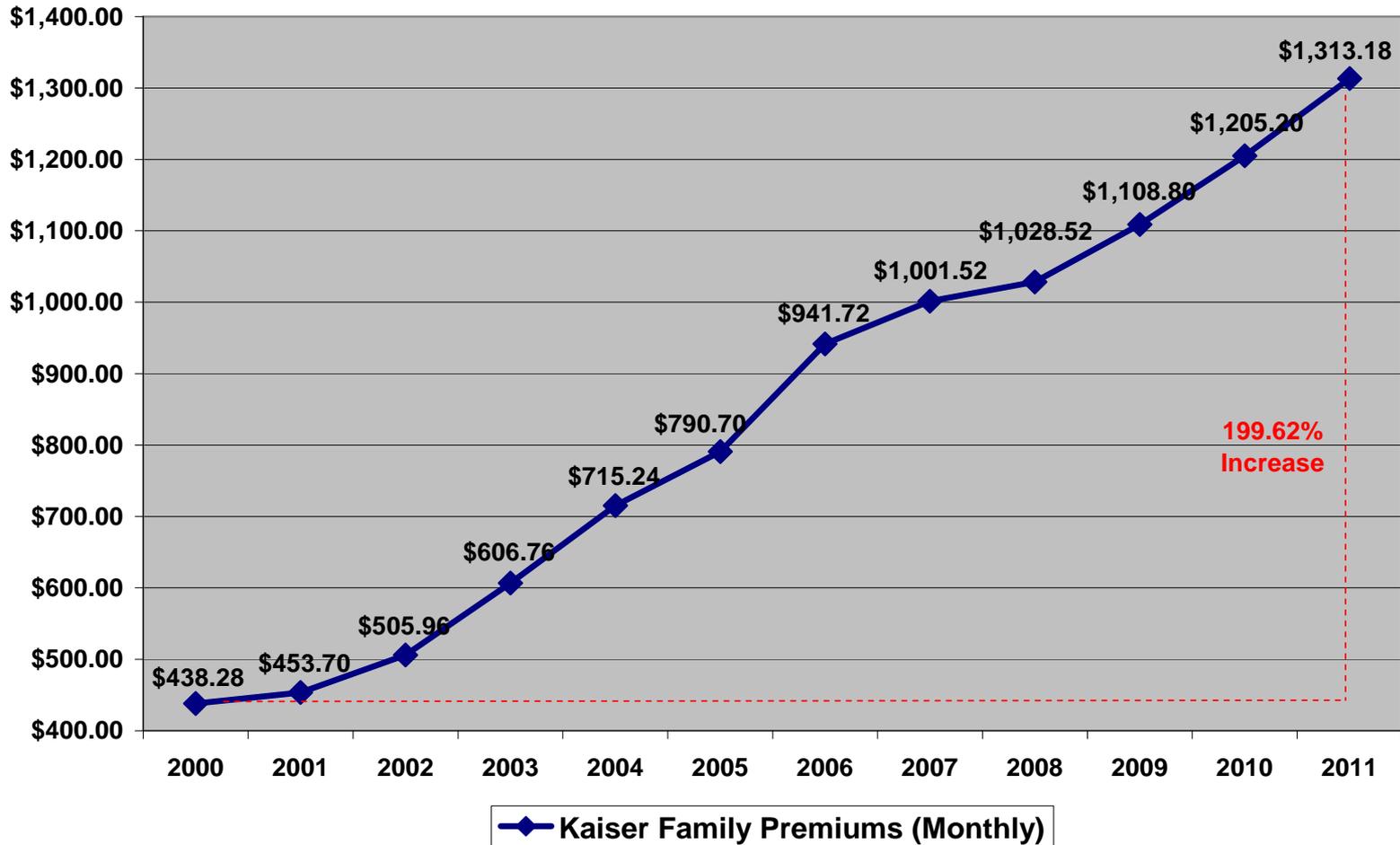
Source: Salary and Fringe Benefit Costs for the 2000-2001 Adopted Budget and 2011-2012 Base Budget

2011-2012 Projected Base Budget 1% of Total Compensation

Bargaining/ Employee Units	1% of Total Compensation General Fund	1% of Total Compensation All Funds
Citywide	\$5,599,514	\$7,931,368
Sworn Only	\$3,541,904	\$3,566,721
Non-Sworn Only	\$2,057,610	\$4,364,647

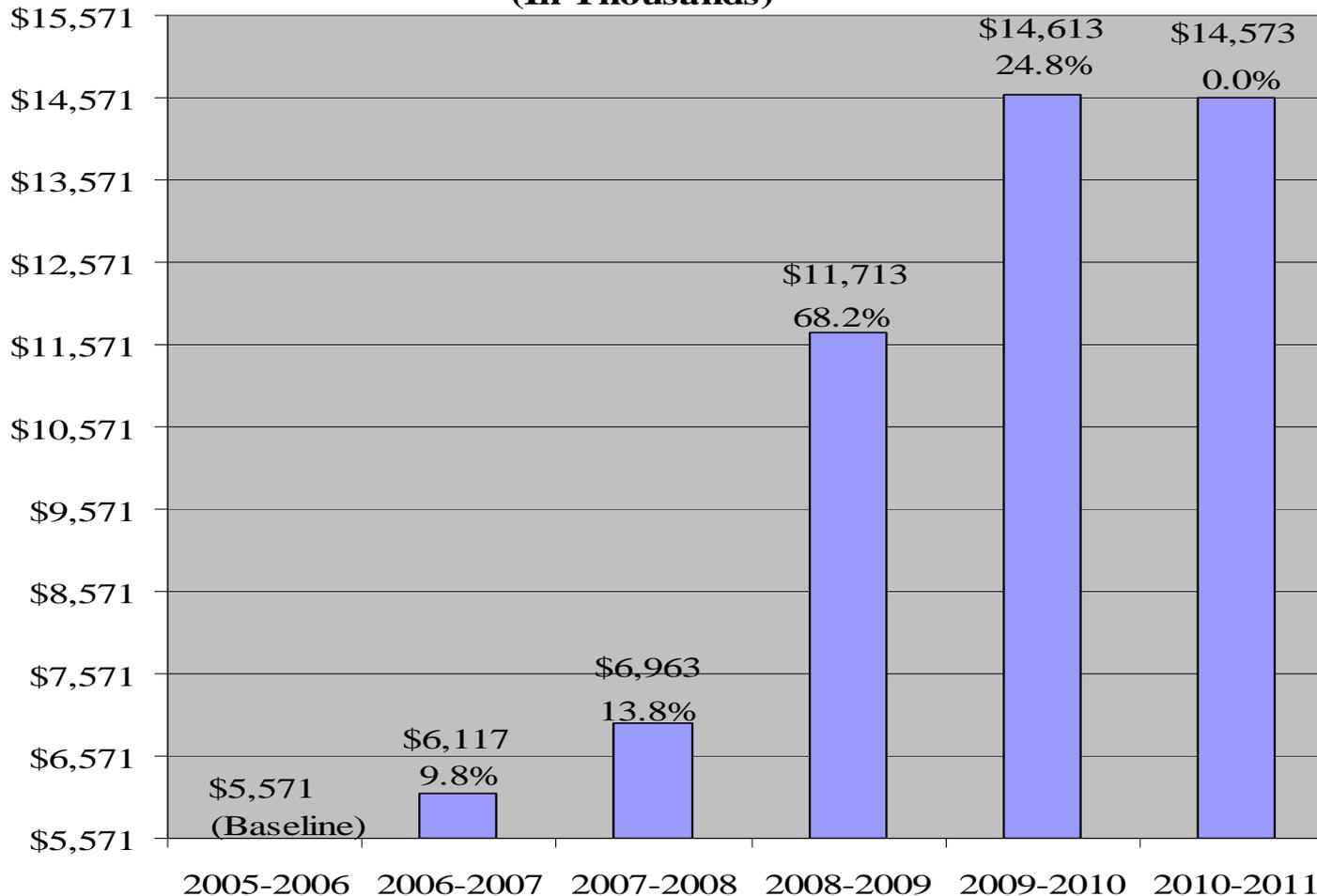
Increasing Healthcare Premiums

Kaiser Family Premiums (Monthly)



Sick Leave Payouts

**Annual Sick Leave Payments
(In Thousands)**



Escalating Retirement Costs

City's Retirement Benefits Costs

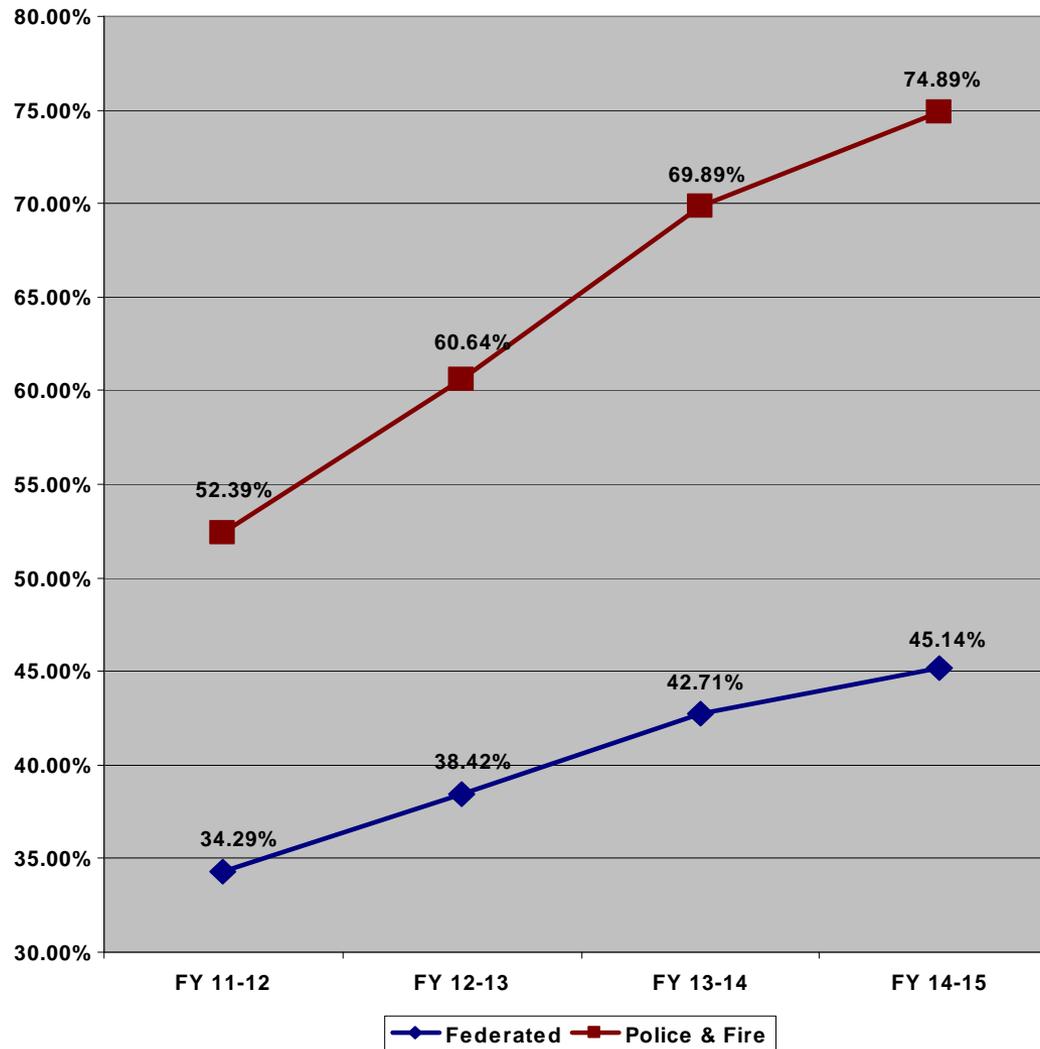
Retirement System/Plan	2000-2001	2011-2012	Difference
Federated Retirement	\$39,409,193	\$85,892,178	117.95%
Police/Fire Retirement	\$23,644,890	\$108,467,650	358.74%
Totals	\$63,054,083	\$194,359,828	208.24%

Unfunded Liability

Pension Unfunded Liability			
	Federated	Police and Fire	Total
Market Value	\$1.1 billion	\$1.0 billion	\$2.1 billion
Actuarial Value	\$0.7 billion	\$0.4 billion	\$1.1 billion

Retiree Healthcare (OPEB) Unfunded Liability			
	Federated	Police and Fire	Total
Market Value	\$0.7 billion	\$0.7 billion	\$1.4 billion
Actuarial Value	\$0.7 billion	\$0.7 billion	\$1.4 billion

Projected Retirement Contribution Rates



Recommended Direction

Recommendations for Direction

- Continue March 2010 direction for 10% total compensation reduction for Fiscal Year 2011-2012 with modifications
 - Entire 10% Ongoing
 - Roll back any general wage increases received in FY 10-11
 - Include City Auditor's recommendations for healthcare cost containment
 - Increase cost sharing
 - Increase co-pays
 - Reduce Health and Dental In Lieu
 - Eliminate Dual Coverage
 - In addition to 10% total compensation reduction, achieve **additional** reforms
 - Retirement (pension and retiree healthcare)
 - Sick Leave Payout
 - Compensation Structure
 - Eliminate automatic step increases
 - Modify step structure
 - Modify overtime eligibility

Recommendations for Direction

(cont'd)

- Guiding Principles

- Commence Negotiations in January 2011
- Continue Using a Total Compensation Approach
- Savings Must be Achievable and Verifiable
- Reductions in City Jobs Does Not Reduce Per Employee Costs
- Avoid Adverse Impact to Retirement Systems
- Consider Inter-Relationship of Variations by Bargaining Unit
- Transparency in Negotiations
- Availability of Information Requests and Responses to be Public
- Inclusion of Operational and Other Contractual Issues

Next Steps

- **January:** Begin negotiations with bargaining units



Council Discussion



Potential Strategies to Address the Preliminary 2011-2012 General Fund Shortfall and Beyond:

General Fund Structural Budget Deficit Elimination Stakeholder Group Retirement Reform

GFSDEP Stakeholder Group Charge and Scope

- Charge
 - Provide input to the City Council regarding major considerations and concerns with the existing retirement systems and priority elements for retirement reform
- Scope
 - General understanding of the City's pension systems and retiree healthcare benefits including major cost drivers
 - General understanding of national and regional trends in retirement reform
 - Identification of the major considerations and concerns with the City's existing retirement systems
 - Identification of the priority elements for reform

Stakeholder Group Meeting Design

Meeting Focus

MEETING #1

Sept. 29

Orientation to Work Plan
 Introduction to Retirement Benefits
 National Context

MEETING #2

Oct. 6

Auditor's Report:
 •Rising Costs
 •Cost Drivers
 •Alternatives for Future

MEETING #3

Oct. 12

Changing Workforce
Concerns/ Considerations with Existing Plan (SWOT)
 Strategies Pursued by Other Agencies

MEETING #4

Nov. 3

Priority Elements for Reform
 •Goals/Aspirations
 •Approaches

Materials

Benefit Fact Sheets
 FAQ Sheets
 External Reports

Auditor's Report

Regional & National Research

Summary: Concerns/ Considerations

CURRENT Assessment

FUTURE Considerations

Strengths

What are the Major Strengths of the existing retirement benefits system?

End Goals of Reform

What should be the End Goals of a reformed retirement benefits system?

Concerns/ Weaknesses

What are the Major Weaknesses/Concerns with the existing retirement benefits system?

Potential Elements of Reform

What changes should be considered to the current retirement benefits system?

What are the Major Strengths of the existing retirement benefits system?

1. Attracts a high-caliber workforce
2. Rewards experience and commitment to public service
3. Enables healthy retirees who have healthcare coverage and security
4. Avoids high cost of turnover
5. Very stable/certain for employees

What are the Major Weaknesses/ Concerns with the existing retirement benefits system?

1. Is affecting service levels to residents, which are not okay now; retirement costs are causing reduction in services to City residents
2. City bears virtually all the risks for market losses, inflation and bargaining changes
3. 3% Cost of Living Adjustment (COLA) bears no relationship to actual Consumer Price Index (CPI)
4. Comparative analyses to other cities is not done in detail
5. Though a generous plan, it is fiscally unsustainable

What should be the End Goals of a reformed retirement benefits system?

1. Fiscally sound City
2. Solution should be collaborative; should work for citizens, employees and the City; should eliminate “us vs. them” dynamic
3. Stable City services, in quantity and quality
4. More predictable, smoother costs in the future-
-no major up, downs, surprises; retirement system is financially sustainable
5. Competitive total employee compensation/labor market equality

What changes should be considered to the current retirement benefits system?

1. Create a second-tier pension system for new employees
2. Increase the retirement age
3. Change automatic 3% COLA to link increases to the CPI or to the increase given to Social Security recipients
4. Change to a defined contribution plan, like a 401(k)-- could be a hybrid, could be an option, consider which group of employees the City wants to incent to stay due to training investment
5. No City pension holiday; always pay full normal cost

Recommendations for Direction

- Direct staff to continue analysis of options for a 2nd Tier retirement program and return to Council with recommendations in early 2011
- Options should include the input from the GFSDEP stakeholder Group and the City Auditor's recommendations already approved by the Council



Potential Strategies to Address the Preliminary 2011-2012 General Fund Shortfall and Beyond:

Organizational and Service Restructuring

Organizational & Service Restructuring

1. Review Current Year Service Delivery Model Changes
2. Update on Transitioning One-Time Funded Services
3. Preliminary 2011-2012 Alternative Service Delivery Evaluation Candidates
4. Service Delivery Evaluation Process and Schedule
5. Policy Reform Issues

Status of Current Year Approved Service Delivery Model Changes

1. Custodial Services

- Service Delivery Evaluation (Policy 0-41) completed
- Contracted services at Airport and City-wide facilities now implemented
- Ongoing savings of approximately \$4M

2. Police Warrants Unit

- Service Delivery Evaluation (Policy 0-41) completed
- Request for Proposals issued and provider selected
- Ongoing savings estimated at \$800,000

Status of Current Year Service Delivery Model Changes Under Review

3. Workers Compensation Administration

- Service Delivery Evaluation (Policy 0-41) under way
- Industry “Request for Interest” issued
- Recommendations to PSFSS Committee in early 2011

4. Employee Health Services

- Service Delivery Evaluation (Policy 0-41) under way
- Industry “Request for Interest” issued
- Recommendations to PSFSS Committee in early 2011

Other Current Year Organizational Restructuring Under Way

1. Fire Dynamic Deployment

- Eliminated four engine companies and one truck company
- Implementing flexible utilization of remaining Fire apparatus to optimize the redeployment of remaining resources on real time basis

2. Police Patrol Shift Changes

- Consultant study completed spring 2010
- Assessing report findings within context of current environment

3. Development Services Integration

- Defined scope of work, reorganized staff, streamlined accounting functions
- Integrating administrative systems across departments (PBCE, PW, Fire)

Other Current Year Organizational Restructuring Under Way

4. Information Technology Consolidation

- Consolidation activities occurring under direction of Technology Leadership Council
- Expected to span a minimum of three years; beginning in 2010-2011

5. CivicCenter Television

- Contracted for portion of Government Access operations
- Ongoing savings of approximately \$200,000

6. Departmental Consolidations

- Centralized Public Bidding from Clerk's Office in 2010-2011
- Transitioning Real Estate to Economic Development in 2010-2011
- Consolidating Public Works and General Services – developing implementation model with budget actions to be included in 2011-2012 Operating Budget

Transitioning One-Time Funded Services in 2011-2012

1. Community Centers

- 22 additional centers placed in Re-Use = 43 total
- 10 Council District Hubs, Edenvale and Grace remain

2. Senior Nutrition Program

- Program planned for elimination in July 2011
- Senior Nutrition Task Force established with County
- Evaluating alternative service delivery models and financing mechanisms; recommendations in early 2011

3. Special Event Reductions

- Eliminated PRNS Special Event Unit
- Eliminated support for Christmas in the Park/Holiday Parade effective January 2011
- Transition planning - working with Christmas in the Park CBO with goal of shifting 100% production to CBO in 2011

Transitioning One-Time Funded Services in 2011-2012 (con't.)

4. Branch Library Hours

- 2010-2011 Adopted Budget included 4.5 days of branch library service of which \$1,356,000 in one-time funding for 2010-2011
- Base budget for 2011-2012 will support 4 days of service and eliminate 27.3 positions

Note: Opening of two facilities was deferred until 2011-2012; two additional branches will be ready for occupancy in 2011-2012

Potential 2011-2012 Alternative Service Delivery Candidates

1. Police and Fire Services (Airport)
2. Airport Terminal and Maintenance Services (Airport)
3. Crossing Guard Transfer (PD/DOT)
4. Landscape/Restroom Maintenance (PRNS/DOT)
5. Fleet Services (GS)
6. Document Imaging (PBCE)
7. 911 and 311 Dispatch Operations (PD/Fire)
8. Garbage Utility Billing and Call Center (ESD)

Service Delivery Policy Process Requirements

1. Identify proposed service delivery change
2. Business case analysis conducted if **service delivery change** may result in addition, deletion, or reclassification of four (4) or more City FTE positions
 - Exemptions include budget cuts, episodic, one-time, and temp work
3. Public release of service delivery evaluation proposals
4. Stakeholder, public and bargaining unit discussions
5. Council makes determination on whether to pursue managed competition during final budget adoption
 - Applies – 18 months to conduct RFP and transition services
 - Does not apply – 6 months to conduct RFP and transition services

Alignment with 2011-2012 Budget Calendar

Evaluations may precede dates below

Review Preliminary Candidate Services	Formalize Services Undergoing Service Evaluation	Preliminary Business Case	Stakeholder Input and Meet and Confer	Council Decision to Proceed
November 18, 2010	February 2011	March 2011	Conclude by May 2011	Late June
	Information memo			Budget Adoption

Key Policy Issues to Review

1. Application of Living/Prevailing Wage requirements under certain circumstances
2. Application of Civil Service layoff (bumping) process for specific classifications

UPCOMING KEY BUDGET DATES

January 2011

- Community Budget Survey
- Neighborhood Association/Youth Commission Priority Setting Session
- 2010-2011 Mid-Year Budget Review Released

February 2011

- 2011-2012 City Manager's Budget Request and 2012-2016 Five-Year Forecast and Revenue Projections for the General Fund and Capital Improvement Program Released
- Updated General Fund Structural Deficit Elimination Plan Released
- City Council/Senior Staff Budget Study Session

March 2011

- City Council Reviews and Approves Mayor's March Budget Message

April/May 2011

- 2011-2012 Proposed Capital/Operating Budgets, 2012-2016 Capital Improvement Program, 2011-2012 Proposed Fees and Charges Released
- Council District Community Meetings to Discuss 2011-2012 Proposed Budget
- City Council Study Sessions and Initial Budget Public Hearing

June 2011

- Final Budget Public Hearing
- City Council Reviews Mayor's June Budget Message and Final Review of Budgets
- City Council Approves 2011-2012 Capital/Operating Budgets and Fees & Charges

Recommended Direction

Recommendations for Direction

- Continue March 2010 direction for 10% total compensation reduction for Fiscal Year 2011-2012 with modifications
 - Entire 10% Ongoing
 - Roll back any general wage increases received in FY 10-11
 - Include City Auditor's recommendations for healthcare cost containment
 - Increase cost sharing
 - Increase co-pays
 - Reduce Health and Dental In Lieu
 - Eliminate Dual Coverage
 - In addition to 10% total compensation reduction, achieve **additional** reforms
 - Retirement (pension and retiree healthcare)
 - Sick Leave Payout
 - Compensation Structure
 - Eliminate automatic step increases
 - Modify step structure
 - Modify overtime eligibility

Recommendations for Direction

(cont'd)

- Guiding Principles

- Commence Negotiations in January 2011
- Continue Using a Total Compensation Approach
- Savings Must be Achievable and Verifiable
- Reductions in City Jobs Does Not Reduce Per Employee Costs
- Avoid Adverse Impact to Retirement Systems
- Consider Inter-Relationship of Variations by Bargaining Unit
- Transparency in Negotiations
- Availability of Information Requests and Responses to be Public
- Inclusion of Operational and Other Contractual Issues

Recommendations for Direction

(cont'd)

- Direct staff to continue analysis of options for a 2nd Tier retirement program and return to Council with recommendations in early 2011
- Options should include the input from the GFSDEP stakeholder Group and the City Auditor's recommendations already approved by the Council



Council Discussion and Direction