

Budget-In-Brief

2009-11 Financial Plan

Another very tough budget that would be much worse without Measure Y

The purpose of this "budget-in-brief" is to summarize the City's 2009-11 Financial Plan and 2009-10 Budget by highlighting the City's budget process, key budget features, major City goals and basic "budget facts." If you have any questions about the City's budget or would like a complete copy of the Financial Plan, please call us at 781-7125 or visit our web site at www.slocity.org.

Purpose of the City's Two-Year Financial Plan

The fundamental purpose of the City's Financial Plan is to link what we want to accomplish for the community with the resources necessary to do so. Our two-year Financial Plan process does this by: clearly setting major City goals and other important objectives; establishing reasonable timeframes and organizational responsibility for achieving them; and then allocating the resources required for implementation.

While appropriations are still made annually under this two-year process, the Financial Plan is the foundation for preparing the budget in the second year.

Major City Goals

Linking important objectives with necessary resources requires a process that identifies key

goals at the very beginning of budget preparation. Setting goals and priorities should drive the budget process, not follow it.

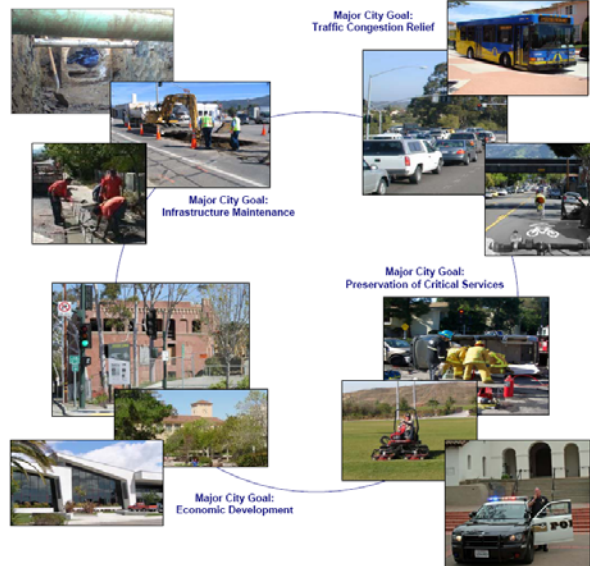
For this reason, the City began the 2009-11 Financial Plan process with a series of in-depth workshops where Council members considered candidate goals presented by community groups, Council advisory bodies and interested individuals; reviewed the City's fiscal outlook for the next five years and the status of current goals; presented their individual goals to fellow Council members; and then set and prioritized goals for the next two years.

City staff then prepared the Preliminary Financial Plan based on this policy guidance from the Council. A number of budget workshops and hearings followed, resulting in final Council adoption of the 2009-11 Financial Plan on June 16, 2009.

Financial Plan Policies

Formally articulated budget and fiscal policies provide the fundamental foundation for preparing and implementing the Financial Plan. Included in the Financial Plan

itself, these policies cover a broad range of areas such as user fee cost recovery goals, enterprise fund rates, investments, capital improvement management, capital financing and debt management, minimum fund balance and reserve levels, human resource management, productivity and contracting for services.



city of san luis obispo

KEY BUDGET FEATURES

Just two years ago, we characterized the City's fiscal outlook as the best in many years. This was largely due to the passage of Measure Y in November 2006, which established a general-purpose, ½-cent City sales tax. It also reflected an improved local economy and the absence of the threat of more State budget takeaways.

Unfortunately, this was no longer the case as the City began preparing the 2009-11 Financial Plan: we faced another very tough budget season. While Measure Y revenues continued to be a bright spot – in fact, without them we would have faced a dire fiscal situation instead of “just” a very tough one – all of the other bright spots had darkened. While there were several key actors in our tougher fiscal story, the most significant was the largest economic downturn since the Great Depression. This resulted in declines or tepid growth in our most important revenues, while costs – “but for” the corrective actions reflected in the 2009-11 Financial Plan, would have continued to grow.

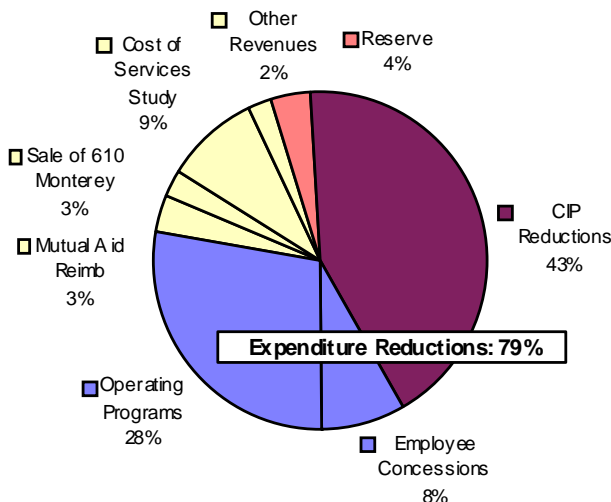
The Gap Facing Us without Corrective Action

The five-year fiscal forecast presented to the Council in December 2008 projected a “budget gap” of \$10.4 million annually in 2009-11, without corrective action. Based largely on continued downturns in transient occupancy tax (TOT) revenues since that time, this grew to \$11.3 million by Spring 2009. This would have been much worse without Measure Y: it would have risen to almost \$17 million annually.

Budget-Balancing Strategy

The 2009-11 Financial Plan takes the corrective actions needed to close this gap and results in a balanced budget. As shown below, expenditure reductions played the largest role in this strategy, accounting for about 80% of the total.

**2009-11 Budget Balancing Strategy:
\$11.3 Million Gap**



Closing the Gap			
	Annualized	% of Total	One-Time
Reserve *	445,400	4%	890,800
New Revenues			
Cost of Services Study	1,030,700	9%	
Use of Property			
Sale of 610 Monterey	325,000	3%	650,000
Other Uses of Property	60,700	1%	
Mutual Aid Reimbursements	375,000	3%	
Improved Cost Recovery	205,000	1%	
Expenditure Reductions			
CIP Reductions	4,756,900	43%	
Employee Concessions	899,700	8%	
Operating Programs	3,182,800	28%	
Total	\$11,281,200	100%	

* Retains at 20% policy but on lower operating expenditures

General Fund Operating Budget Reductions

The deepest reductions were in the support departments, ranging from 11% to 8%; with the smallest reductions in “front-line” departments like Public Works, Police and Fire, ranging from 6% to 3%. Organization-wide, these reductions included staffing cuts of 26.8 full-time equivalent employees, of which 18.3 were regular positions. However, none of the proposed reductions resulted in regular staff lay-offs in the General Fund, based on vacancies and anticipated retirements.

Department	Annual Savings*	
	Amount	%
Council, Administration, City Attorney, City Clerk	393,300	11%
Human Resources	104,600	9%
Finance & Information Technology	308,800	8%
Community Development	172,250	6%
Parks & Recreation	273,150	7%
Public Works	739,250	6%
Police	876,050	6%
Fire	315,400	3%
Total General Fund	\$3,182,800	6%

* Annual Average for 2009-11

Use of Measure Y Revenues

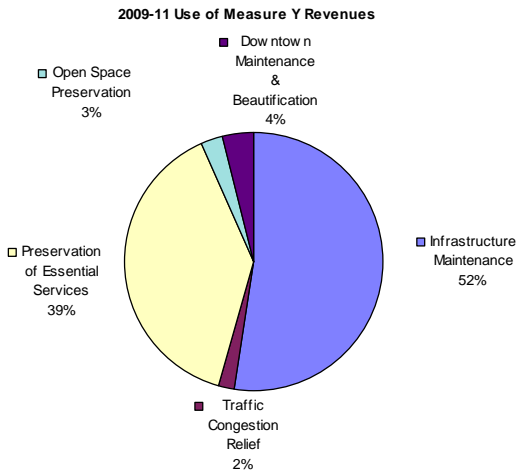
Measure Y revenues played an important role in mitigating even deeper cuts in City services while helping preserve essential services like police and fire protection; maintain critical infrastructure like street and sidewalk repairs; relieve traffic congestion; and preserve open space.

Provided in the following insert is background information about Measure Y revenues along with proposed uses in 2009-11 and actual uses last year in 2008-09.

MEASURE Y USES: PROPOSED 2009-11

About Measure Y. Adopted by the voters in November 2006 with 65% approval, Measure Y sets an added ½-cent City sales tax. This general purpose revenue measure is projected to generate about \$5.6 million annually in the 2009-11 Financial Plan. This assumes flat revenues compared with the prior year. However, trends since these projections were prepared show that revenues are likely to be slightly less than this. This measure will “sunset” in eight years unless reapproved by voters.

Proposed 2009-11 Uses. Measure Y revenues in 2009-11 will allow us to continue funding many of the community priorities that surfaced before and during the Measure Y campaign; and equally important, they will prevent the much deeper cuts in these priority areas that would otherwise be required. The 2009-11 Financial Plan identifies how Measure Y revenues will be used in funding operating programs and capital improvement plan projects, which are closely aligned with top Council goals and objectives.



As summarized in the chart above, **over 50% of anticipated Measure Y funding will be used to fund infrastructure maintenance efforts such as street and sidewalk repairs and storm drain replacements.**

Close to 40% of the funding will be used to preserve essential services like police and fire protection, creek and flood protection programs and neighborhood code enforcement.

Improving traffic congestion, maintaining and beautifying the Downtown and continuing preservation of open space make up the balance of anticipated Measure Y uses. Overall, about 35% of Measure Y resources will go towards operating programs over the next two years and 65% for capital improvements.

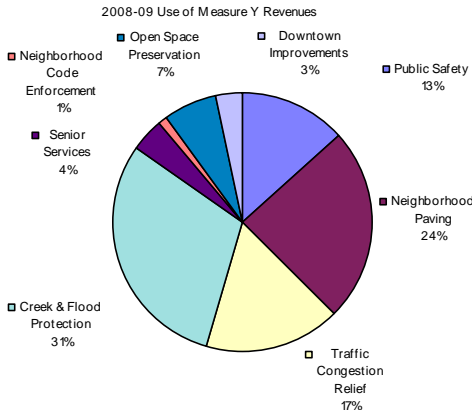
	Operating Programs	Capital Projects	Two-Year Budget Total
Infrastructure Maintenance			
Meadow Park Roof Replacement		45,000	45,000
Andrews Creek Bypass		330,000	330,000
Storm Drain Replacements		520,000	520,000
Minor Storm Drain Facilities		50,000	50,000
Higuera Culvert Repair		150,000	150,000
Sidewalk Repair		40,000	40,000
Sidewalk ADA Access Improvements		235,000	235,000
Warden Bridge Resurfacing		45,000	45,000
Street Reconstruction & Resurfacing		3,950,000	3,950,000
Street Light Painting		100,000	100,000
Urban Forest Management Plan		50,000	50,000
Street Fleet Replacements: Paver and Roller		365,800	365,800
Other Infrastructure Maintenance Projects		97,500	97,500
Total Infrastructure Maintenance		5,978,300	5,978,300
Traffic Congestion Relief			
Bicycle Safety	30,000		30,000
Traffic Safety Report Implementation		50,000	50,000
Neighborhood Traffic Management		40,000	40,000
Sidewalk Repair		40,000	40,000
Street Light Replacements - Broad Street		60,000	60,000
Total Traffic Congestion Relief	30,000	190,000	220,000
Preservation of Essential Services			
Public Safety			
Police Protection: Traffic Safety & Patrol	959,800		959,800
Fire Prevention & Training	825,700		825,700
Fire Engine/Truck Replacement: Debt Service		97,000	97,000
Maintenance Services			
Streets, Sidewalks and Traffic Signal Operations	363,700	106,500	470,200
Creek & Flood Protection	895,800		895,800
Parks	334,000	78,100	412,100
Project Management & Inspection	491,600		491,600
Neighborhood Code Enforcement			
Enhanced Building & Zoning Code Enforcement	247,800		247,800
"SNAP" Enhancement	36,200		36,200
Total Preservation of Essential Services	4,154,600	281,600	4,436,200
Open Space Preservation			
		322,500	322,500
Downtown Maintenance & Beautification			
Sidewalk Repairs	10,000	40,000	50,000
Mission Style Sidewalks		200,000	200,000
Sidewalk Scrubbing	40,000	-	40,000
Pedestrian Lighting		70,000	70,000
Comprehensive Signing Program		75,000	75,000
Total Downtown Maintenance & Beautification	50,000	385,000	435,000
TOTAL	\$4,234,600	\$7,157,400	\$11,392,000

Projected Measure Y Revenues

2009-10	5,572,800
2010-11	5,778,100
Total	\$11,350,900

MEASURE Y USES: ACTUAL 2008-09

As outlined in the sidebar table, actual uses of Measure Y revenues in 2008-09 (including encumbrances and carryovers) were \$8.2 million. Of this amount, about **75% went for neighborhood paving, traffic congestion relief and creek & flood protection.**



Public safety was enhanced through the addition of two patrol officers, traffic safety officer, communications technician, fire training battalion chief and additional essential training for the fire department.

Significant improvements were made in **street paving**, including the purchase of new equipment that allows the City's street crew to realize added productivity in maintaining the City's pavement. In addition, progress in **relieving traffic congestion** is underway with several intersection improvements as well as bicycle trail enhancements.

Creek and flood protection improvements included several projects to repair or replace storm drains and culverts. Additional storm drain improvement projects are currently under design and construction will be completed in the coming fiscal year.

The **Senior Center** at Mitchell Park underwent significant remodeling to improve the kitchen and storage situation. In addition, the construction of a parking lot at the center was completed during 2008-09. Measure Y also enabled the City to hire a **code enforcement** officer and additional employees in the Student Neighborhood Assistance Program (SNAP) to enhance the City's efforts in ensuring **compliance with building and zoning ordinances as well as responding to neighborhood issues.**

Open space preservation and **downtown improvements** continued through the use of Measure Y resources. This included the acquisition of an additional open space easement and increased maintenance efforts in the downtown core such as additional sidewalk cleaning and replacement of stairs at the Mission Plaza.

	Operating Programs	Capital Projects	2008-09 Total
Public Safety			
Police Protection: Traffic Safety & Patrol	748,200		748,200
Fire Prevention & Training	334,900		334,900
Neighborhood Paving and Deferred Street Maintenance			
Paving Crew Productivity	71,700	173,600	245,300
Neighborhood, Downtown & Arterial Street Paving		1,756,100	1,756,100
Traffic Congestion Relief			
Traffic Signal Operations	77,600	58,900	136,500
Johnson & Buchon Intersection Improvements		100,000	100,000
Bob Jones City-to-Sea Bike Trail Bridges		220,000	220,000
Tassajara/Foothill Intersection Improvements		125,000	125,000
Buena Vista/Garfield Intersection Improvements		14,500	14,500
Los Osos Valley Road Interchange			
Environmental Review & Design		586,900	586,900
Other Traffic Congestion Relief Projects	188,700		188,700
Creek and Flood Protection			
Storm Water Management Plan Implementation	813,000	30,300	843,300
Storm Drain Replacements		1,005,200	1,005,200
Creek Silt Removal		235,800	235,800
Andrews Creek Bypass Improvements		104,200	104,200
Bishop/Augusta Creek Bank Stabilization		36,500	36,500
Storm Sewer & Culvert Repairs		168,800	168,800
CIP Project Management & Inspection	91,600		91,600
Senior Services and Facilities			
Senior Center Window Replacement	10,000		10,000
Senior Center Remodel		343,400	343,400
Neighborhood Code Enforcement			
Enhanced Building & Zoning Code Enforcement	71,200		71,200
"SNAP" Enhancement	18,100		18,100
Open Space Preservation			
Open Space Acquisition		360,000	360,000
Open Space Maintenance & Enhancements	43,900	140,000	183,900
Downtown Improvements			
Sidewalk Repairs	9,900	44,700	54,600
Sidewalk Scrubbing	20,000		20,000
Pedestrian Lighting		51,000	51,000
Mission Plaza Stair Replacement		61,500	61,500
Downtown Urban Forest Maintenance		50,000	50,000
Comprehensive Signing Program		40,000	40,000
Total	\$2,498,800	\$5,706,400	\$8,205,200

Measure Y Revenues & Uses Summary 2008-09

Revenues:	
Carryover from 2007-08 including encumbrances	3,098,800
Revenues for 2008-09	5,588,700
Total revenues available in 2008-09	8,687,500
Uses (including encumbrances and carryovers)	(8,205,200)
Net available for future year appropriations	\$482,300

MAJOR CITY GOALS

The 2009-11 Financial Plan sets *Major City Goals* for the next two years and links them with the programs, projects and resources necessary to achieve them. Detailed work programs have been prepared for each of these goals, including its relationship to Measure Y priorities, challenges we will face in achieving the goal, action plans and resource requirements. As reflected below, these goals are closely linked to Measure Y priorities. Progress in achieving these goals based on the adopted “action plans” is reported to the Council on an ongoing basis. Compared with prior years, where there were typically eight to twelve Major City Goals adopted by the Council, there are only four Major City Goals for 2009-11. This reflects added focus in light of the fiscal challenges facing the City.

Infrastructure Maintenance

Sustain an effective level of existing core infrastructure maintenance such as streets, sidewalks, creek & flood protection, park, and protection of other physical assets.



Traffic Congestion Relief

Continue efforts on projects which relieve traffic congestion, such as street modifications, intersection improvements, pedestrian improvements, bicycle facilities, traffic signal operations and public transit.



Economic Development

In collaboration with Cal Poly, Cuesta and the business community, develop strategies to increase economic development including emphasis on head-of-household jobs and environmentally sustainable businesses.



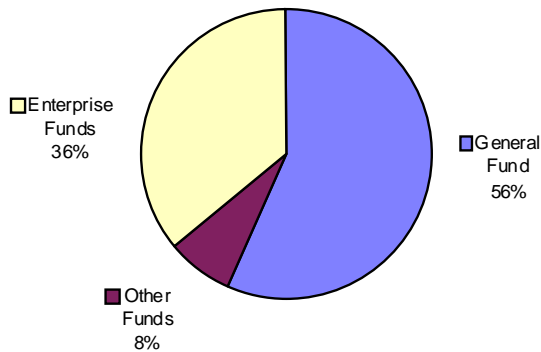
Preservation of Essential Services and Fiscal Health

Adopt a balanced budget that retains the City's fiscal health, preserves essential services and implements long term productivity improvements and cost-reduction strategies.

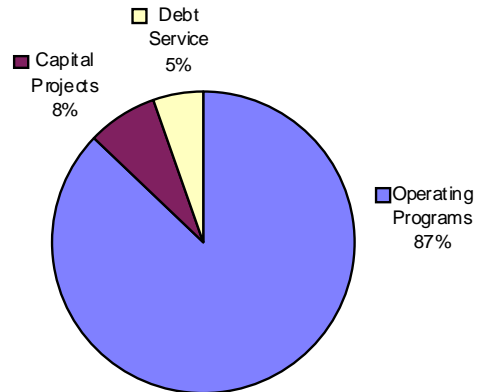


BUDGET FACTS

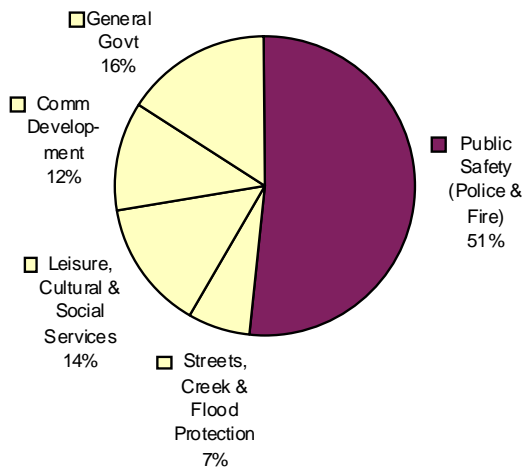
**2009-10 Budget By Funding Source:
\$96.7 Million**



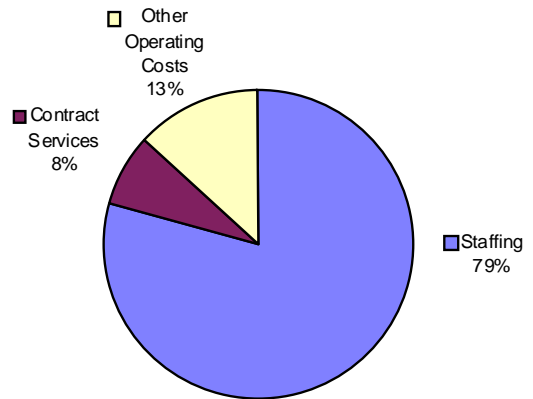
**2009-10 General Fund Budget:
\$54.4 Million**



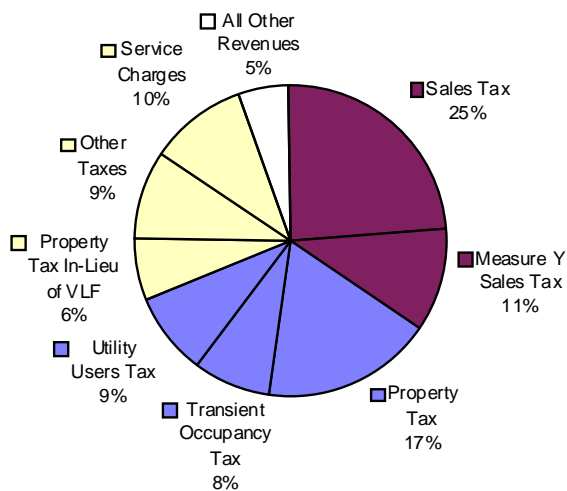
**2009-10 General Fund Operating Budget
By Function: \$47.3 Million**



**2009-10 General Fund Operating Budget
By Type: \$47.3 Million**



**2009-10 General Fund Revenues:
\$51.8 Million**



2009-11 Major Capital Projects: All Funds (In Millions)

Public Safety Improvements	\$1.5
Water and Sewer System Improvements	10.3
Neighborhood & Arterial Street Paving	4.0
Pedestrian & Bikeway Improvements	3.5
Creek & Flood Protection Improvements	1.3
Park Improvements	2.3
Open Space Preservation	1.1

These projects total \$24 million, accounting for about 90% of total capital project costs of \$27.1 million in 2009-11.

2009-11 Regular Staffing: All Funds

Public Safety	139.5
Public Utilities	60.8
Transportation	32.0
Leisure, Cultural & Social Services	33.0
Community Development	40.6
General Government	51.5
Total Positions	357.4

Staffing levels at the end of 2009-11