



CITY OF SAN CARLOS

AGENDA CATEGORY:	
BUSINESS SESSION:	_____
CONSENT CALENDAR:	_____
PUBLIC HEARING:	_____
STUDY SESSION:	_____
_____:	_____

COUNCIL/RDA MEETING DATE: March 13, 2010

ITEM TITLE: Discussion of Recommended Program Options for the FY 2010-2011 Budget

RECOMMENDATION:

That the City Council review staff recommendations for a balanced FY 2010-11 Budget and provide policy direction with respect to the preparation of a budget document for consideration at the May, 2010 City Council Meeting.

FISCAL IMPLICATIONS:

The proposed changes and/or reductions represent a balanced FY 2011 Operating Budget.

BACKGROUND:

City staff prepared the FY 2010-11 budget recommendation in a manner similar to prior years utilizing a modified zero-based budgeting process. The Administrative Services Department calculated a "base budget" utilizing anticipated revenues and expenses incorporating known labor contract obligations and anticipated inflationary factors. Accordingly, the base budget is staff's best guess as to the anticipated costs required to maintain current service levels and provides a projected surplus/deficit projection pursuant to the assumptions incorporated therein.

Each Department was afforded an opportunity as part of the budget process to submit prioritized "program requests" asking for additional resources to accommodate new programs and/or expenses and reductions totaling up to 20% of their base budget should budget cuts be necessary.

This year's base budget, utilizing the aforementioned factors and policy guidance provided from the City Council at the December 14, 2009 meeting, anticipated a FY 2011 base budget deficit approaching \$3.5 million. Thus, staff knew going in that prospects for new programs not mandated by law were dim and reduction possibilities were quite likely. Each Department utilized its own process in preparing its budget submittals, some involving public meetings and most involving extensive meetings with employees throughout the organization.

The process utilized in preparing the FY 2011 budget necessarily resulted in consideration of numerous proposals, many of which were vetted publicly in a transparent manner (i.e., including

outsourcing/contracting, salary/benefit reductions, furloughs, closing facilities and parks, turning off street lights, et. al.). Ultimately, each Department submitted a proposal to the City Manager. The Manager met with each Department Director and ultimately formulated a plan to balance the FY 2011 budget making reductions as necessary to ensure anticipated expenditures were funded by projected revenues. The Manager's prioritized and recommended additions/reductions are itemized in detail in Attachment B. A partial listing of anticipated program impacts resulting from this FY 2011 budget submittal follow:

**Budget Impacts: Proposed FY 2011
3-1-2010**

New Programs:

- Sewer Maintenance Program: Settlement Mandate
- Enhanced Economic Development (RDA Funded to include Marketing/Branding effort)

Program Reductions:

- City-wide Impacts:
 - Loss of 9 Full Time Positions (i.e., from a high of 126 to 98 today; 4 added back to address the Sewer Maintenance Mandate referenced above)
 - Reduced Counter Hours City-Wide (essentially with a goal of ½ time counter availability)
 - Additional Management Salary Concession (salary freeze/suspension of previously approved Resolution)
 - Discontinue TV and Webcast broadcast of City Council Meetings
- Parks/Recreation:
 - Close Youth Center and Laureola Buildings/Programs
 - Diminished Parks Maintenance including outsourcing of base maintenance operations
 - Eliminate Administrative Support to Special Events (Hometown Days, Art and Wine Festival, Concerts in the Park, et. al.)
 - Reduce/Eliminate Spcl. Events at the ACC and share facility use
- Public Works
 - Reduce Traffic Consulting Services
 - Parking Meters Program
- Police
 - Eliminate 2 FT positions (Police Officer & Police Service Tech.)
 - Eliminate numerous Part Time positions (Detective Secretary, Records Technician, Community Service Officer)
- Fire
 - Freeze budget at FY 2010 level
- Administration
 - Outsource Payroll
 - Eliminate last Management Analyst Position
 - Eliminate Administrative Support to City Clerk; merge with City Manager and Close Clerk's Counter

**FY 2011 Budget Proposal Alternative
RECOMMENDED**

Pursuant to City Council direction of December 14, 2009, staff has been researching alternative service models involving consolidation, outsourcing and regionalization. Based on findings from our discussions with regional service providers, Staff believes there would be significant savings realized with the following:

- Contracting with the Sheriff for Police Services: \$2-3.5 Million
- Contracting with Cal Fire for Fire Services: \$1-2.0 Million
- Installation of Parking Meters \$300-600 Thousand
- Bidding Base Parks Maintenance Operations: \$200-400 Thousand

TOTAL: **\$3.5-6.5 Million**

Existing Police, Fire and Parks Maintenance staff do an exemplary job in protecting the quality of life in San Carlos. This is evident in the quality of the City’s facilities and by the sense of safety and protection felt by City residents. The proposal outlined above is in no way a reflection or commentary on the quality of services provided in the City. As budgets are stretched however, government must look to economize, collaborate and share in economies of scale in the provision of public services.

Staff has been in active discussions with Cal Fire and the Sheriff, each of whom is developing specific proposals for the provision of public safety services in San Carlos. Based on these preliminary talks, Staff believes the cost savings outlined above are achievable without detrimental impact to the health and safety of San Carlos. The savings will actually allow enhancement to that protection, as well as allowing the City to maintain other services critical to the quality of life in San Carlos (i.e., Parks and Recreation, city infrastructure and a sound management structure).

Ralph Andersen and Associates, a management consulting firm, issued a “Law Enforcement Service Study” on behalf of the City of Yorba Linda in Orange County in December 2009. In that report, Ralph Andersen concluded that “The cities that contract for law enforcement services have fewer staff and much lower per capita expense than those cities which have their own police departments.” Additionally, the report notes that contract cities benefit from access to the resources of a much larger department.

The public demands that government find new ways to more efficiently utilize scarce resources. The citizens of San Carlos have repeatedly rejected revenue measures designed to sustain its current service model. Staff recommends aggressive pursuit of the contract alternative outlined above for Police, Fire and Parks Maintenance (in addition to contracting out payroll services) as opposed to the standard budget reductions referenced at the beginning of this report. Full implementation would require up to 24 months to accommodate notice requirements within the Belmont San Carlos Fire Department Joint Powers Agreement.

ALTERNATIVES:

1. Review staff recommendations for a balanced FY 2010-11 Budget and provide policy direction with respect to preparation of a budget document for consideration at the May, 2010 City Council Meeting; or
2. Provide staff with alternative direction.

Respectfully submitted,

Mark Weiss, City Manager

Attachments:

- A. FY 2010-11 Financial Base Budget Overview
- B. 20% Program Options Reduction List
- C. 20% Program Option Forms Submitted by Departments
- D. Recommended Option – Contracted City Services and Parking Meter revenue and the impact on the General Fund Balance and Five Year Forecast
- E. Option 2 – 20% Program Reduction Options and the impact on General Fund Balance and Five Year Forecast
- F. Core Services Summary

