
CITY COUNCIL REPORT

TO: Mayor and City Council

FROM: Frank Fairbanks
City Manager

SUBJECT: ALLOCATING BUDGET GROWTH AND SHORTFALL

Attached is a report from the Budget & Research Department seeking your general guidance on budget growth and cost cutting among departments. This guidance will be combined with your input from the Zero Based Budget process and the cut back proposals we have received from the city departments to assemble a balanced budget proposal in January.

Budget & Research presents three alternatives for funding the public safety departments. The level of funding for the public safety departments will determine the level of budget cuts and service reductions for other general fund departments. Some of the potential cut levels are drastic.

The City Council has consistently funded the public safety departments at much higher levels than other departments. I therefore recommend Alternative 2 that would set aside \$10 million to increase the public safety departments' funding (Police, Fire, Courts, Prosecutor and Public Defender) for FY 2009-10. This will require heavy cuts in other departments, but the cuts are achievable.

The City is committed to fully and promptly implementing Proposition 1. We will use these funds to add new Officers throughout the budget period. We will hire as many Officers as Proposition 1 funds will cover.

This \$10 million increase in public safety department budgets will not fund all of the budget growth that is normal for the public safety departments. We are working cooperatively with the Police Chief, Fire Chief and Presiding Judge, to identify ways to reduce budget growth without significantly reducing services. They believe that this level of funding is practical.

I believe that the allocation of funds in Alternative 2 gives the City the best opportunity of meeting the community's needs with declining revenue.

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TO: Frank Fairbanks
City Manager

FROM: Cathleen Gleason
Budget And Research Director

SUBJECT: ALLOCATING BUDGET GROWTH AND SHORTFALL

The Mayor and City Council will kick off our efforts to balance the 2008-09 and 2009-10 budgets with their ratings of potential cut items using the Zero Based Budget Review. The City Council's input will be a crucial element in developing the cuts necessary to balance the budget.

Another key element is the allocation of cuts among the various general fund departments. The Police Department, Fire Department, Municipal Court, City Prosecutor and Public Defender represent 68% of the General Fund budget. The Mayor and City Council have consistently given the very highest priority to funding the public safety departments. Since 2002, City civilian departments have been cut an average of 37.5% while the public safety departments have seen growth reductions of 10.5%.

Alternatives

As we start the budget process, we would like City Council guidance on the general approach to be used in allocating budget growth and cuts. We have developed three general scenarios, which could be modified. They are as follows:

1. Fully Fund Public Safety Budget Growth / Make Severe Civilian Department Cuts – In this option, spending would be allowed to expand unrestrained in the public safety departments (Police, Fire, Court, Prosecutor and Defender). All budget cuts would occur in the civilian departments. In addition to budget balancing cuts, civilian departments would be cut an additional amount to pay for public safety budget expansion. There would be no belt tightening in public safety, instead there would be very heavy cuts in all other departments.
2. Reduce Public Safety Growth / Make Most Cuts in Civilian Departments – The budgets of the public safety departments for 2009-10 would increase by a combined total of approximately \$10 million over their current 2008-09 budgets. This would not allow full funding of all public safety department cost increases and inflation. The significant budget cuts would occur in the civilian departments. These cuts would be very difficult, but the civilian departments would not need to be cut as much in order to pay for full public safety cost increases.

3. Treat All General Fund Departments the Same – All departments would have the same percentage cuts. This option would evenly distribute budget cuts across all departments.

ESTIMATED BUDGET IMPACT

	Public Safety Budget Growth	All Other Department Budget Cuts
Alternative 1	+ \$70 million	40 – 60%
Alternative 2	+ \$10 million	25 – 45%
Alternative 3	– \$80 million (cut)	15 – 20%

The final percentage for department budget cuts depends on upcoming revenue results, refined expenditures estimates and the potential for other deficit reducing financial transactions.

Action Requested

General City Council guidance is requested. It is also possible to develop variations of the alternatives shown.