

As most of you know, our budget situation continues to look bleaker and bleaker. The downturn in the economy has caused deeper reductions than we initially were predicting. We will be going to Council on November 25th with the Fall update. At that time we will share that we are anticipating our structural deficit to be \$15 million rather than the \$10.5 that we projected. If you watch the news or listen to the TV, you know that Santa Rosa is not alone in facing hard fiscal times.

What is the problem?

City revenues have declined, just like they have nationally. There is not enough revenue to cover the expenses.

How are City services funded?

Basically services are funded by user fees, taxes, or grants. The General Fund covers core services like Police, Fire, Recreation & Parks, Community Development, Administration and Public Works. It consists of property taxes, sales taxes, grants, and various other smaller taxes and fees. Sales Tax amounts to 24% of our General Fund revenue, property tax 16%, other taxes 13%, motor vehicle license fees 10%, utility users tax 8%, permits, fines, charges 10% and miscellaneous 17% of our General Fund revenues

Police and Fire account for 55% of the expenditures in the General Fund. Public Works and Rec and Parks are another 21%. The remaining 24% is for general administration, community development, homeless services, economic development, general services like facility maintenance and animal shelter.

Our water and sewer fund, along with transit operations, and housing and

redevelopment are separate funds called Enterprise Funds. They are managed like separate businesses. They pay an "overhead" charge to the General Fund for administration.

It appears revenue assumptions have been in error for the last three years. What is being done to correct the revenue assumptions? Is it the old way of planning for the best but budgeting for the worst?

Local government revenues trend with the national economy. Over the past few years we have faced unprecedented economic impacts. We have tried to be realistic in our revenue projections, but even those were optimistic. It is very difficult in these unprecedented times to anticipate the economic and revenue situation.

Every year, I pay more property tax. I would assume it would be enough to cover the basic services. Why do you need more money?

The City gets \$.13 of every property tax dollar. The remaining amount goes to schools, the County, the State and special districts. If you are paying \$5000 annually in property tax, it means the City gets \$650.

Increases in residential foreclosures and the decline in median home prices have impacted this important revenue source.

I pay for water and sewer every month, how is that money used? Can't it be used to fund public safety and other core services?

When you pay your utility bill as a ratepayer, you are paying for that service...not the general services of the City. The funds are separated out and

used only to support the sewer and water programs/services.

I read you have a reserve “rainy day” fund of 15% of the General Fund. What does this mean and why can’t we use those funds for the fiscal crisis we are in right now?

The City Council has an adopted policy that we carry a minimum of 15% of our General Fund for emergencies...it could be an earthquake or some other emergency that we would need to have in reserve to go to in those instances. The Council could change its policy to adjust the percentage. When we looked at other cities around the State, 15% was a minimum that many carried. The reserves also impact our bond rating. If we were to lower the reserve, it could make it more expensive to borrow money for capital projects.

One of the lessons we learned from the Vallejo bankruptcy was not to draw down reserves. Once they were gone, there was nothing left to draw from when the economy declined.

It seems like the City just raises taxes if it needs more money. Why doesn't the City do this to get more money right now?

Most taxes like sales tax, transient occupancy tax, and property tax all need voter approval if the City was going to raise them. The City can't raise fees beyond the cost of the service. Many of the services are difficult to have a fee associated with them. Community Development (Planning and Building) and Recreation have fees they charge for their services. But it would be difficult to charge for using the parks, the streets, or the street lights. That being said, the City Council is discussing

adopting a community services district for new residential and commercial development which charges a fee of \$400 per unit to help cover the costs of the service to the area.

The City recently bought the AT&T building and is putting millions into reunifying Courthouse Square. Why are they spending money on those things when they are cutting other essential services?

The City's Redevelopment Agency purchased the AT&T building. Redevelopment Funds cannot be used for General Fund programs like Public Safety, Recreation, etc. The utility work that is being done in Courthouse Square is paid for from the Utility Enterprise Fund. At this point, there is no plan to use General Fund monies for Courthouse Square reunification.

How many City positions are currently not filled and are likely to become vacant through June 2009 through retirements, etc.?

As of November 14th, we have a total of 124 vacant positions:

- 81 are General Fund positions (GF)
- 43 are Enterprise Funded positions (EF)

Of that total, 17 positions are currently on the cut list and 29 positions are currently “on hold” (15 GF and 14 EF).

We have the following number of recruitments:

- 3 recruitments are active (1 GF and 2 EF)
- 9 recruitments are pending (3.5 are GF and 5.5 are EF)

The City will continue to evaluate vacancies and recruit for essential service positions.

It is difficult to predict the number of retirements between now and June 30th. Employees are not required to give a lengthy notice for retirement. Last year we had 36 retirements.

Could each department do an audit of which functions could be handled better through more automation? This could cost money initially but in the next decade would result in savings. Could administration find 5% savings/productivity by getting better equipment?

Our departments have already made substantial improvements to systems using technology. We have a major capital project to replace our old payroll, financial and human resource systems that will provide us with much more flexibility and improved processes. Utilities has made major improvements in technology that has improved cost effectiveness, as well as their customer service. Community Development has automated the permitting system allowing our customers to get up to date information about their projects, etc.

We are continuing our focus on technology and will look for additional efficiencies in the future.

Why do we compare salary and benefits with other cities in arbitration, but when it comes time to make cuts, we don't consider what other cities are doing to save money?

Many of jobs require specialized knowledge, experience and education. We frequently compete with other local

government employers for the best qualified applicants. Competitive ages and benefits are important to retaining and attracting a qualified workforce. Local voters approved provisions that provide binding arbitration for our public safety employees and require salary and benefit comparisons with comparable agencies.

We also look at cost saving measures and innovative best practices that other cities are using not only here in California but nationwide. We have gotten ideas from various networks like the League of Cities, the International City Manager's Association and from various list that many of us are on.

What consideration is being given to outsourcing services?

As mentioned earlier, Parks is looking at contracting for park maintenance with anticipated saving of approximately 30%. Other services are also being considered.

Does the law enforcement group have priorities in services provided?

Yes. Their primary mission is to protect the public. For Police that means traffic enforcement, investigations and gang enforcement. For Fire that is responding to emergency fire and medical calls.

As a business owner, when I need to reduce expenditures, I let employees go or reduce their salary. Why is it so difficult to do the same thing in government?

Most government employees, with the exception of management, are represented by unions. The City has

contracts that spell out their wages and benefits. The City has to negotiate any changes in working conditions, including salary adjustments. The City Manager has the ability to layoff when necessary, but first needs to meet and confer with the impacted units about the reasons for the specific layoffs.

Local voters approved a provision that provides binding arbitration for our Public Safety employees. This requires that an outside arbitrator work with the City and the Union when an agreement can not be reached.

The Executive Staff has permanently given up their 4% COLA adjustments for this year. The Fire Union has conceded to a 4% reduction for a year period.

Do the unions make the decisions or does the City Council make the decision about who is to be let go and what services will be cut?

The City Manager recommends the decisions about budget reductions, but ultimately the City Council makes the decision. They must meet and confer with the unions when it impacts the working conditions of employees.

What has the City done to look at becoming more efficient?

Over the past few years, we have worked hard at finding ways to work smarter. We have entered into partnerships with the County and other governmental agencies to provide economies of scale in printing, dispatch and animal control.

We have developed partnerships with the community to provide homeless and recreational services, as well as maintaining green spaces, creeks and medians.

Our employees share more of their benefit costs and we are negotiating with employees to move to a two tiered retirement system which will save the City money in the future.

We have adjusted our fees to recover more of the cost of service, have instituted a hiring freeze, and are doing work for other cities like engineering and IT services.

We are also going to be contracting out park maintenance reducing the number of vehicles and we have completed a fleet study.

Has the City reduced staff?

We have eliminated 37 positions so far this year, and will be looking at an additional 51 positions in January.

We hope that this has answered some of your questions. If you have other questions, please don't hesitate to share them with us.

We are planning a budget outreach session in January and are looking for people to help us host small group meetings. The information that we will gather will help the City Council as it tackles the next \$5 million. If you are interested, please contact, Pat Fruiht at 543-3023 or email pfriiht@srcity.org.