

## City of Oceanside

*Office of the City Manager***Memorandum**

To: Honorable Mayor and City Councilmembers

From: Peter A. Weiss, City Manager 

Date: February 10, 2010

Subject: **BUDGET STATUS**

In October 2009, the City Council approved a budget reduction plan based on projections of downward trending revenues. The expectation was to address position reductions at one time and avoid the need for additional reductions through the 2010-2011 Fiscal Year. The reductions that were approved did not completely balance the City's budget and left an approximate \$4.4 million deficit. The City has committed to allocating \$4.4 million from the Unassigned General Fund Balance (Reserves) towards this year's shortfall. This allocation will exhaust the City's Unallocated General Fund Balance; however, there will not be any further position reductions for the balance of this Fiscal Year, ending June 30.

Using one-time reserve funds to balance the operating deficit through June 30, 2010, does not eliminate the ongoing problem. Unfortunately, our actual revenues for several key sources are less than were anticipated. For this current year, our actual revenues from sales taxes, TOT, and other sources will be approximately \$2.3 million less than projected for FY 2009-2010; revenue will be \$3.0 million less than projected for FY 2010-2011. Projecting our actual revenues into next year results in an additional \$8.0 million reduction over what was previously anticipated.

Staff will be developing a budget reduction plan to address the FY 10-11 deficit. The plan will be developed in cooperation with staff and bargaining unit representatives. The FY10-11 reduction plan will focus on providing those core services to the community that are absolutely necessary and evaluating those services that do not

absolutely need to be provided. The preliminary reduction plans will be prepared by Departments by March 8, 2010, with a two-week internal review process. We are also in the process of evaluating City-sponsored projects and will be developing a list of low priority projects that will be suspended in an effort to reduce costs and expenditures.

Staff will also be evaluating several revenue enhancement options to offset a portion of the overall deficit. Those revenue-generating options include cost recovery for City services, increased downtown and beach parking fees, and an assessment of the potential for a Citywide revenue option.

Staff will present an overview of the budget situation at the Council Meeting on February 24, 2010, with the target of having a Council Budget Reduction Workshop on April 28, 2010.

Cc: Department Directors

# City of Oceanside

## *Office of the City Manager*

### **Memorandum**

To: All City Employees  
From: Peter A. Weiss, City Manager   
Date: February 10, 2010  
Subject: **Budget Reductions**

In October 2009, the City Council approved a budget reduction plan based on projections of downward trending revenues. The expectation was to address budget reductions at one time and avoid the need for additional position reductions through the 2010-2011 Fiscal Year. Unfortunately, the reductions that were approved did not completely balance the City's budget and left an approximate \$4.4 million deficit. The City has committed to allocating \$4.4 million from the Unassigned General Fund Balance (Reserves) towards this year's shortfall. This allocation will exhaust the City's Unallocated General Fund Balance, but will result in no further position reductions for the balance of this Fiscal Year ending June 30, 2010.

Using one-time reserve funds to balance the operating deficit through June 30, 2010, does not eliminate the ongoing problem. Unfortunately, our actual revenues for several key sources are less than were anticipated. For this current year, our actual revenues from sales taxes, TOT, and other sources will be approximately \$2.3 million less than projected and revenue will be \$3.0 million less than projected for FY 2010-2011. Projecting our actual revenues into next year results in an additional \$8.0 million reduction over what was previously anticipated.

We will need to develop further budget reduction options; however, we cannot address this ongoing problem without additional service, program and position reductions. We need to balance our budget but we need to do it in a way that will make us better able to maintain our core services. Our objective needs to focus on providing those core

services to the community that are absolutely necessary and evaluating those services that do not absolutely need to be provided.

We need to look at what we absolutely need to do and build from there instead of talking about what to cut. That process will ultimately lead to programs and services that will be reduced or eliminated. The scope of the problem is such that many of the services and programs we provide the community, and ultimately our employees, will be severely impacted by the reductions.

Each Department Director will be submitting their recommendations to the City Manager for consideration by March 8. These recommendations may also include revenue enhancements which could reduce the amount of reductions. We are also in the process of evaluating City-sponsored projects and will be developing a list of low- or lower-priority projects that will be suspended in an effort to reduce costs and expenditures.

As in the past, each Director has been asked to include input from staff and bargaining unit representatives in order to develop a cooperative approach to addressing the problem. I am aware there has been some question and concern regarding the actual and projected revenues and expenditures that are being used as a basis for these difficult decisions. The City's primary revenue sources are sales and property taxes. The actual revenues are received by the City several months after they are collected by the County or State, resulting in "changing" projections. Unfortunately, as more businesses throughout the City close and as consumer spending continues to decrease, the City's income stream will continue to be adversely affected.

This continuing discussion on budget reductions is frustrating to everyone. Unfortunately, we have very little control over the external economy that ultimately affects all of us. We are here to provide services to the community and we collectively need to provide those services at a cost the community can afford. We are at a "Tipping Point" in regards to how we serve the community and the manner in which we provide those services. I hope and pray that we will collectively and cooperatively face these challenges with a focus on what is in the best interest of the overall community, work toward minimizing the impacts to core services and accept that there will have to be sacrifices made that will impact all of us. Please join with your fellow employees and provide input to your supervisor, Department Director and bargaining unit representative so that we can work collectively to prepare a plan of action.

CC: Mayor and Councilmembers

**CITY OF OCEANSIDE**  
**ESTIMATED GENERAL FUND DEFICIT**  
**Prepared February 4, 2010**

	Current * FY 09/10	Year 1 FY 10/11	Year 2 FY 11/12	Year 3 FY 12/13	Year 4 FY 13/14	Year 5 FY 14/15
Beginning Unassigned Fund Balance	\$5,256,900	\$878,300	\$0	\$0	\$0	\$0
Revenues (page 3 of Sept forecast)	\$110,310,800	\$100,861,900	\$100,870,000	\$102,068,300	\$103,252,000	\$106,608,000
Expenditures (page 4 of Sept forecast)	\$114,689,400	\$108,518,000	\$110,793,100	\$114,408,800	\$118,368,900	\$119,768,200
Surplus/(Deficit)	(\$4,378,600)	(\$7,656,100)	(\$9,923,100)	(\$12,340,500)	(\$15,116,900)	(\$13,160,200)
Ending Unassigned Fund Balance	\$878,300	\$0	\$0	\$0	\$0	\$0

\*Includes Budget Reduction Plan @ October 21, 2009 (\$3,489,000) plus updated revenue reductions @ January 31, 2010 (\$2,300,000)

**NOTE: This is a rough estimate based on preliminary revenue estimates. A full expenditure analysis will be compiled once the Questica Team Budget data is available later this month. An updated Five-Year Forecast is expected to be released by February 26th.**

ADDITIONAL REVENUE REDUCTIONS SINCE SEPTEMBER 2009 FORECAST	
Sales Tax	(\$1,000,000)
Sales Tax Compensation In-Lieu	(\$500,000)
Sales Tax Prop 172	(\$300,000)
TOT/Card Room/Other Taxes	(\$500,000)
All other revenues (interest/charges/permits/etc.)	\$0
Business License Admin Fee Reduction	\$0
Total Additional Reductions	(\$2,300,000)
	(\$3,000,000)

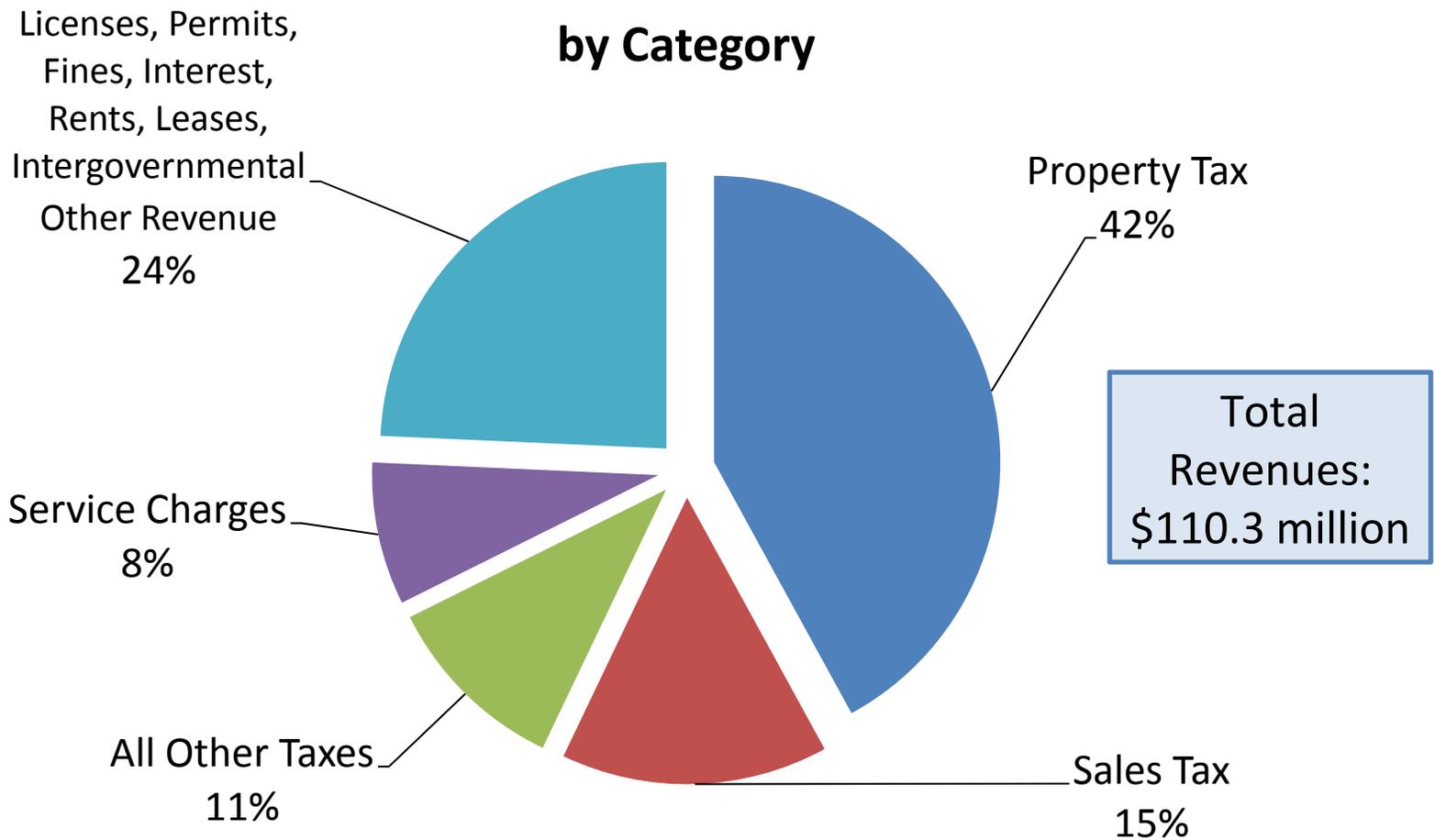
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# **BUDGET UPDATE**

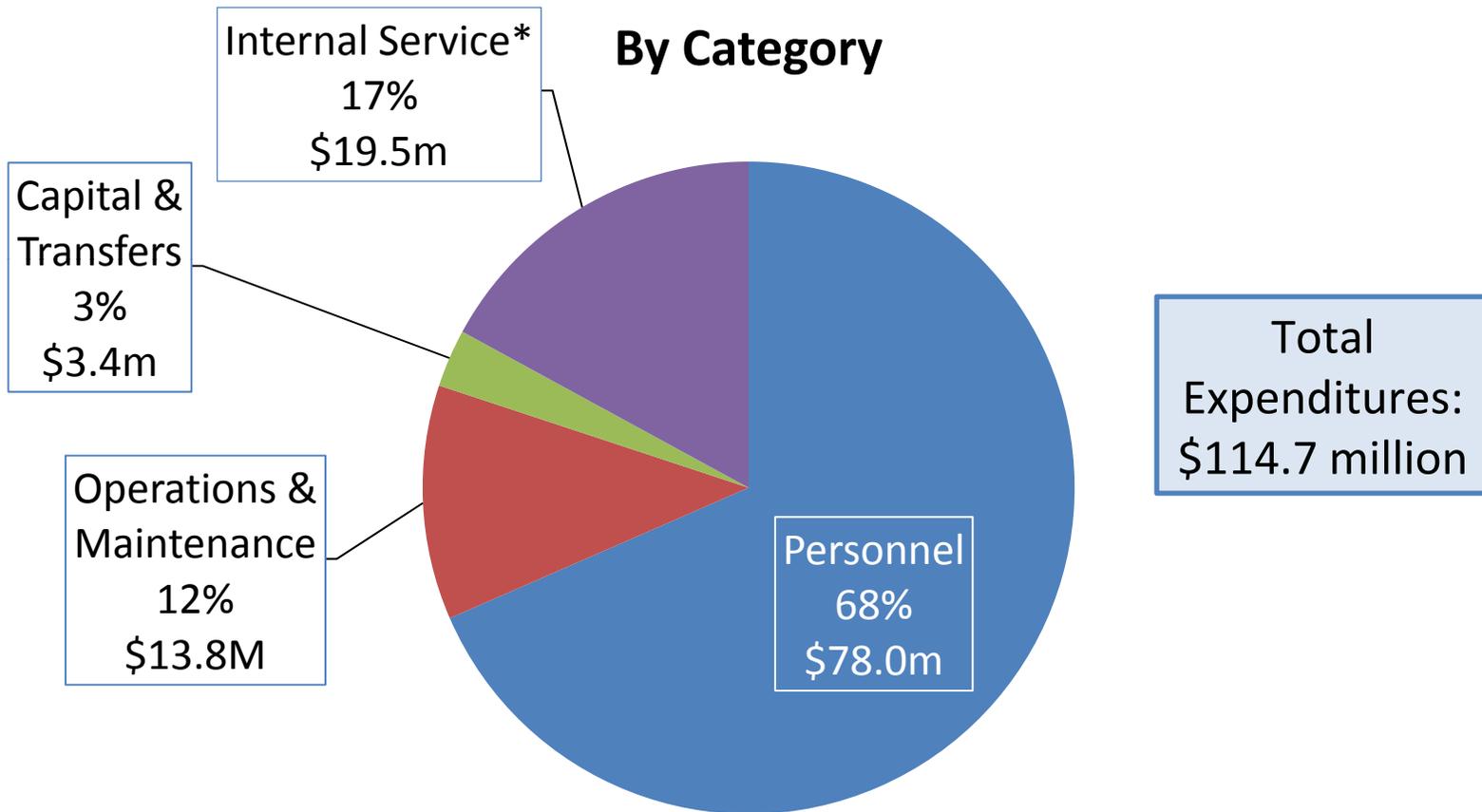
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**FEBRUARY 24, 2010**

# General Fund Revenues Fiscal Year 2009-2010

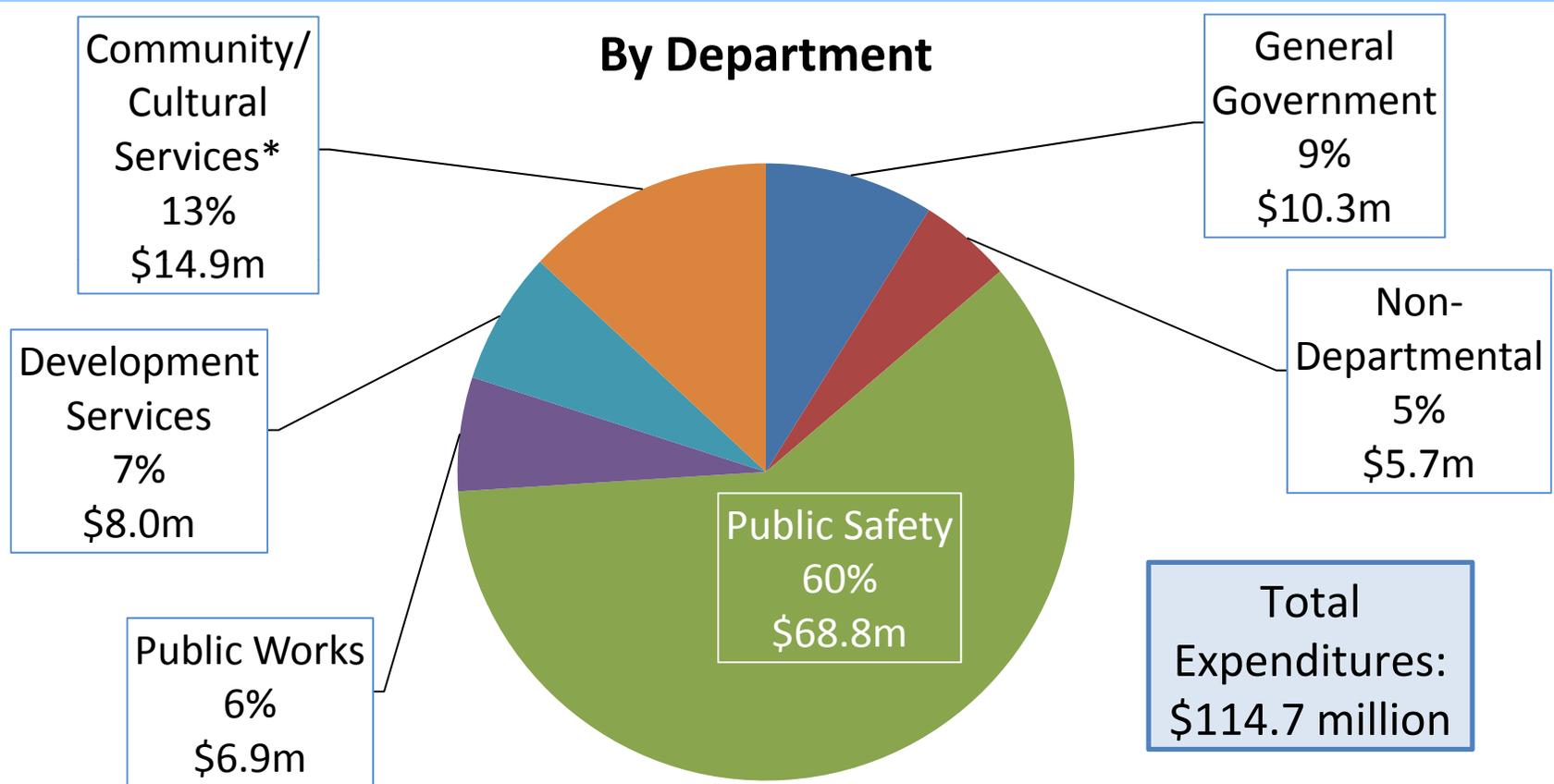


# General Fund Budget Fiscal Year 2009-2010



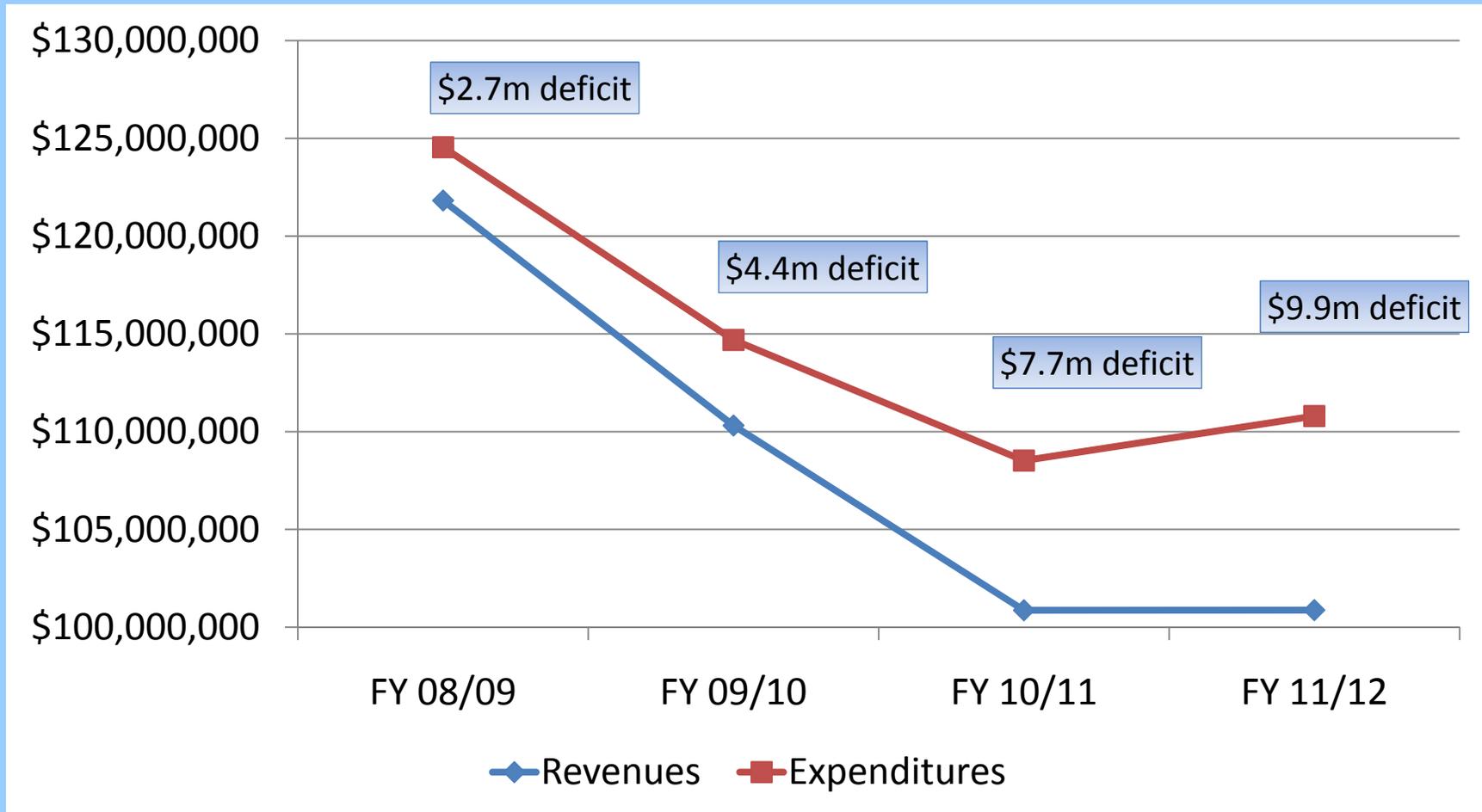
\*Internal Service includes debt service, fleet, city buildings, risk management and information services

# General Fund Budget Fiscal Year 2009-2010



\*Includes Economic/Community Development, Library, Harbor & Beaches, Neighborhood Services

# General Fund Revenue vs. Expenditure Projections



# Goal:

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To focus on providing core services to the community that are absolutely necessary

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# Potential Revenue Enhancements

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- Parking meter rates
  - Fire cost recovery
  - Community Garden property sale to Housing
  - Potential Citywide sales tax
  - Others
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# Recommend Suspending Lower Priority Projects

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- Beach restrooms
  - Harbor Aquatics Center
  - Amphitheater
  - College Boulevard Landscaping
  - Oceanside Boulevard Specific Plan
  - Citywide General Plan update
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# Not a Short-Term Problem

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Key is to either:

Reduce expenditures  
and employee costs

or

Reduce number of employees

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# Reduce Employee Costs

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- Furloughs
  - Pay reduction
  - Retirement participation  
8-9% retirement participation = \$3.5M/yr
  - Requires employee and bargaining unit participation and agreement
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# Reduce Number of Employees

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- Program/service reductions to community
  - Evaluate outsourcing opportunities
    - Ambulance billing
    - Custodial services
    - Street sweeping
    - Recreation services
    - Library
    - Maintenance functions
    - El Corazon Senior Center
    - Other
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# Budget Reduction Plan

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- \$8 million reduction is significant
  - Plan will address shortfall
    - Reduce expenditures
    - Reduce or eliminate services and programs
  - Goal is to focus on providing core services to the community that are absolutely necessary
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# Budget Reduction Plan

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- Departmental Reduction Targets
    - 5 percent Public Safety
    - 20 percent non-Public Safety
  - Draft plan by mid-April
  - Council Workshop April 28
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# **BUDGET UPDATE**

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**FEBRUARY 24, 2010**