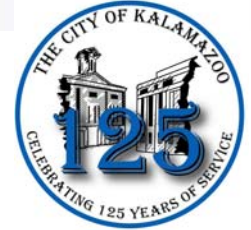




2009 - 2010 BUDGET

City Commission
3rd Quarter Budget Presentation
October 26, 2009

GENERAL FUND BUDGET REVIEW



- I. Background
- II. 2009 General Fund Budget Closeout
- III. 2010 Budget Revised Projections
- IV. Alternative Scenarios
- V. Fiscal Plan
- VI. Discussions



BACKGROUND

Principles/Values/Truths

■ Principles

1. The Foundation of Municipal Government is Public Trust
2. City Administration is Accountable for Wisely Investing Public Monies
3. Limited Resources should be Allocated based on Desired Outcomes
4. The desired Outcome has been Generically described as a Clean & Safe Community



BACKGROUND

Principles/Values/Truths

■ Principles

5. City Administration must manage the Effectiveness, Efficiency, and Quality of Public Services
6. City Administration is responsible for Fiscal Solvency/Sustainability of the Municipal Organization
7. Reasonable Decisions are Essential and Highly Dependant upon Good Information, Timeliness & Courage
8. Without Effective Implementation of Reasonable Decisions an Organization becomes Dysfunctional



BACKGROUND

Principles/Values/Truths

■ Values

1. City Services are Critical to the Residents' Quality of Life
2. City Employees should be Treated Honestly & Fairly
3. Honor Existing and Limit Future Commitments



BACKGROUND

Principles/Values/Truths

■ Truths

1. Municipal Resources are Finite and Shrinking
2. The Public's Needs are Seemingly Infinite and Growing
3. A Balanced Budget is Legally Mandated
4. Legacy Costs must be Managed
5. Prioritization facilitates the Best Use of Limited Resources
6. Essential or Core Services are in the "Eye of the Beholder"



BACKGROUND

Budget Management

■ 2009 Guidance

1. Do not overreact to changing economic data
2. Fight through short term budget challenges by making timely and informed decisions
3. Responsibly address the long term structural, fiscal challenges
4. City Commission Direction
 - a) Identify \$2.0M Operation Reduction
 - b) Identify \$1.5M Initiative Reduction
 - c) Reduce Reserve Funds



BACKGROUND

Budget Management

■ Protocol

1. Develop Two-Year Budgets
2. Review Budgets Quarterly
3. Make Mid-Year Budget Adjustment(s)
4. Balance Budgets
5. Address Legacy Costs
6. Smooth Impacts
7. Transition to "New Normal"



2009 GENERAL FUND BUDGET CLOSEOUT

■	Revenue Changes	(\$1.4M)
	• Interest Earnings	(\$300K)
	• Property Tax	(\$300K)
	• State Shared Revenue	(\$800K)
■	Expenditures Changes	\$2.0M
	• Mid-Year Adjustment	(\$250K)
	• Positive Variance	(\$1.75M)
■	Budget Surplus	\$600K

Closed with 14.5% Fund Balance



2010 BUDGET REVISED PROJECTIONS

- Revenue Changes (\$3.9M)
 - Interest (\$300K)
 - Property Tax (\$1.9M)
 - State Shared Revenue (\$1.7M)

- Expenditures Changes \$1.9M
 - Streets CIP \$1.2M
 - Streets Maintenance \$300K
 - Retiree Healthcare \$400K

- Additional Liabilities..... \$5.8M



2010 BUDGET REVISED PROJECTIONS - Assets

■	Reserves		\$7.2M
	• Budget Stabilization Fund	\$1.6M	
	• Insurance Fund	\$2.3M	
	• General Fund	\$800K	
	• Capital	\$1.9M	
	• Tax Reimbursement	\$600K	
■	Expenditures		\$3.35M
	• Mid-Year Adjustment*	\$500K	
	• Non-Departmental	\$600K	
	• Initiatives	\$250K	

2010 BUDGET REVISED PROJECTIONS



■ Initiatives:

	2010 Projections	2010 Revised
Summer Youth Employment	\$100,000	\$0
Neighborhood Association Funding	\$235,000	\$235,000
City Commission Initiatives	\$100,000	\$0
Contribution to Communities in Schools	\$100,000	\$50,000
Contribution to Downtown Development Authority	\$265,000	\$265,000
TOTAL	\$800,000	\$550,000



2010 BUDGET REVISED PROJECTIONS - Assets

■	Reserves		\$7.2M
	• Budget Stabilization Fund	\$1.6M	
	• Insurance Fund	\$2.3M	
	• General Fund	\$800K	
	• Capital	\$1.9M	
	• Tax Reimbursement	\$600K	
■	Expenditures		\$3.35M
	• Mid-Year Adjustment*	\$500K	
	• Non-Departmental	\$600K	
	• Initiatives	\$250K	
	• Operations*	\$2.0M	
	* - Recurring "Savings"		
■	Additional Assets		\$10.55M



2010 BUDGET REVISED

Budget Recommendation Process

Reduction plans approximating 5% per department were submitted to the City Manager, representing about \$2.4 million in reductions.

Each Department Director was asked to design cost containment efforts by:

- Identifying alternative methods to reduce cost while preserving services such as collaboration with other departments or organizations.
- Identifying new concepts that would alter how we do business and substantially reduce cost within an individual department or the entire organization.

Stressed that any reductions enacted will be sensitized to maintain service levels to the community.

Reoccurring cost reductions of \$500,000 were adopted as a 2009 mid-year budget amendment.

All proposals involving occupied position eliminations were presented and vetted by a sub-committee prior to the recommendation forwarded to the City Manager for final approval.



2010 BUDGET REVISED PROJECTIONS

■ Operations - \$2.5M

Public Safety		\$1.75M
6 Vacant PSO's	\$410K	
10 PSO's to COPS	\$623K	
6 Non-Sworn Positions	\$300K	
Management Services		\$254K
4 Positions	\$212K	
Community Planning & Development		\$220K
Shifts to ARRA	\$120K	
Shifts to CDBG	\$30K	
Shifts to BRA	\$70K	
Public Services		\$157K
Overtime/Temp Reduction	\$33K	
Shift to Solid Waste	\$60K	
Equipment Use	\$24K	
Parks & Recreation		\$85K
21st Century Fund & Parks & Recreation Endowment Fund		

General Fund Savings Due to AMERICAN RECOVERY and REINVESTMENT ACT



	2009	2010
Staff	\$72,586	\$842,426 *
Programs	\$150,000	\$150,000
CIP	\$1,201,244	\$1,492,000
Bond Savings	\$90,000	\$160,000
TOTAL	\$1,513,830	\$2,644,426

* Includes \$633K of \$1.9M COPS Grant to be spent over three years

Program Enhancements Due to AMERICAN RECOVERY and REINVESTMENT ACT



■ Additional ARRA Funding for Programs to be Spent over the next 3 Years

1.	Neighborhood Stabilization Program 1 (NSP1)	\$1,700,000
2.	Homeless Prevention & Rapid Rehousing Program (HPRP)	\$ 758,000
3.	Community Development Block Grant (CDBG-R)	<u>\$ 500,000</u>
	TOTAL	\$2,958,000



ALTERNATIVE SCENARIOS

■ Use of Reserves

1. Balance Budget Using Reserves Only
2. Balance Budget Using "Cuts" Only
3. Balance Budget Using Reserves and "Cuts"

■ Timing

1. Act Now
2. Act in January 2010



FISCAL PLAN

"No Balancing" Plan

	2010 No Balancing	2011 No Balancing	2012 No Balancing
TOTAL REVENUE	51.7	49.9	50.6
SUBTOTAL EXPENDITURES	54.9	55.6	56.5
Proposed Reductions			
TOTAL EXPENDITURES	54.9	55.6	56.5
Beginning Fund Balance	7.2	4.0	(1.7)
Surplus / (Deficit)	(3.2)	(5.7)	(5.9)
Ending Fund Balance	4.0	(1.7)	(7.6)
Target Fund Balance	6.7	6.5	6.6
Amount Over (Under) Target	-2.7	-8.2	-14.2
Actual Percentage of Revenues	7.7%	-3.4%	-15.0%
Target Percentage of Revenues	13.0%	13.0%	13.0%



FISCAL PLAN

"Cuts Only" Plan

	2010 Cuts Only	2011 Cuts Only	2012 Cuts+Reserves
TOTAL REVENUE	51.7	49.9	51.2
SUBTOTAL EXPENDITURES	54.9	53.0	54.1
Proposed Reductions	(2.3)		
TOTAL EXPENDITURES	52.6	53.0	54.1
Beginning Fund Balance	7.2	6.3	3.2
Surplus / (Deficit)	(0.9)	(3.1)	(2.9)
Ending Fund Balance	6.3	3.2	0.3
Target Fund Balance	6.7	6.5	6.7
Amount Over (Under) Target	-0.4	-3.3	-6.4
Actual Percentage of Revenues	12.2%	6.4%	0.6%
Target Percentage of Revenues	13.0%	13.0%	13.0%

Personnel Cuts to Balance:

2010	36 FTE (12 Layoffs)
2011	48 FTE
TOTAL	84 FTE



FISCAL PLAN

"Cuts and Reserves" Plan

	2010 Cuts+Reserves	2011 Cuts+Reserves	2012 Cuts+Reserves
REVENUE	51.7	49.9	50.6
Use of Reserves **	0.9	2.7	0.6
TOTAL REVENUE	52.6	52.6	51.2
SUBTOTAL EXPENDITURES	54.9	52.9	54.1
Proposed Reductions	(2.3)		
TOTAL EXPENDITURES	52.6	52.9	54.1
Beginning Fund Balance	7.2	7.2	6.9
Surplus / (Deficit)	0.0	(0.4)	(2.9)
Ending Fund Balance	7.2	6.9	4.0
Target Fund Balance	6.8	6.8	6.7
Amount Over (Under) Target	0.4	0.0	-2.7
Actual Percentage of Revenues	13.7%	13.0%	7.8%
Target Percentage of Revenues	13.0%	13.0%	13.0%

Use of Reserves Presented:

- 1) Reserves (\$4.2 M)
- 2) Revenue (\$1.1 M)
- 3) CIP - not shown (\$1.9 M)

TOTAL RESERVES: \$7.2M



BALANCE BUDGET USING RESERVES & CUTS

- Eliminate Positions

Proposed 2009/2010 Eliminations

	City-Wide	General Fund
Total Position Eliminations	51	32
Vacant Positions	24	10
COPS Funded Positions	10	10
Occupied Positions	17	12



BALANCE BUDGET USING RESERVES & CUTS

- Eliminate Positions

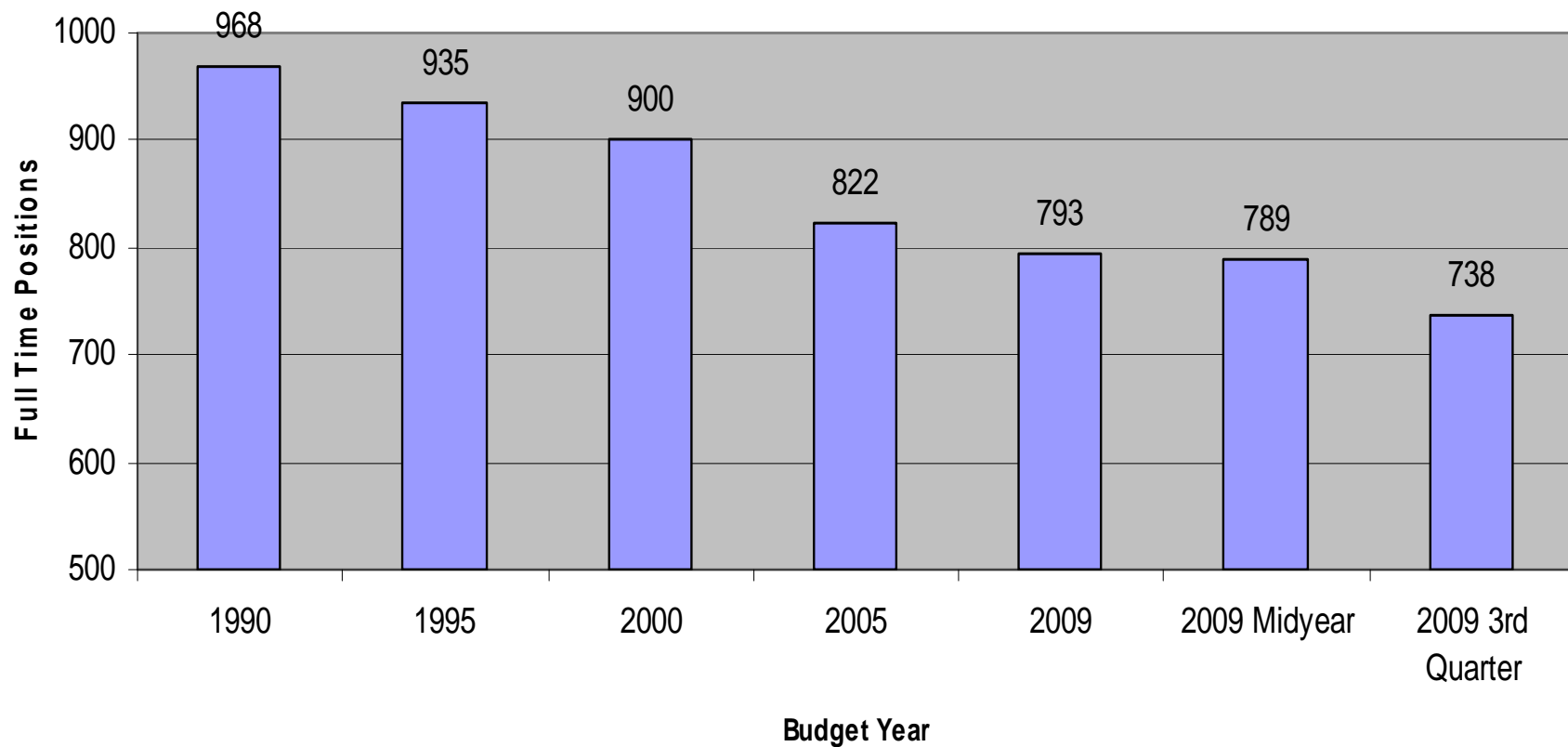
Proposed 2009 General Fund Position Eliminations

Occupied Position Eliminations by Department	12
City Clerk	1
Human Resources	1
Information Technology	2
Management Services	4
Public Safety - Non Sworn	4



BALANCE BUDGET USING RESERVES & CUTS

City of Kalamazoo Position Trend





REVISED 2010 BUDGET

	<u>Projected</u>	<u>Adjusted</u>	<u>Balance</u>	<u>Adjusted</u>	<u>Revised</u>
Revenue	55.0	(3.9)	51.1	3.6	54.7
Expense	54.8	1.9	56.7	(2.0)	54.7
Difference	200K		(5.6M)		0
Beginning	7.4M		7.6M		7.6M
Ending	7.6M (13.7%)		2.0M (4.3%)		7.6M (14%)



DISCUSSIONS