



BUDGET TRANSMITTAL MEMORANDUM

DATE: May 11, 2010

TO: Honorable Mayor Bjerke and Members of the City Council

FROM: Daniel E. Keen, City Manager

SUBJECT: **Budget Message for Fiscal Year 2010-2011 and Ten-Year Financial Plan for Fiscal Year 2010-2011 through Fiscal Year 2019-2020**

With this transmittal memo we present the recommended City of Concord proposed budget for Fiscal Year (FY) 2010-11. Accompanying the recommended budget are the Ten-Year Financial Plans for FY 2010-11 through FY 2019-20 for each of the City of Concord's major funds. Staff will present this recommended budget, including all budget cuts and revenue enhancements, to the Council and the public at the Council's May 11 Budget Workshop. The Council will further consider and take action on the budget at its budget hearings on June 8th and 22nd.

The FY 2010-11 Budget continues the City's efforts to strategically address the City's budget shortfall. Our effort began in 2009 when the Council approved a three year plan to address the budget deficit. The FY 2010-11 Budget represents the second year of our three year plan. This budget proposal reflects the outcomes of the City's recent very successful "Living Within Our Means" workshops, our telephone and web surveys, the leadership of the Department Heads, and the numerous ideas received from our employees.

The City's structural budget deficit is currently projected at \$12.7 to \$13 Million dollars, assuming that we maintain a 15% reserve and that we solve the deficit over two fiscal years (FYs 2010-11 and 2011-12)¹. The recommended budget for FY 2010-11 addresses \$6.4 million of this deficit, through a combination of expenditure cuts and new revenues (64 in all, described in more detail later in this memo), and through assumptions about employee wage and benefits concessions that are currently being negotiated through the collective bargaining process. Staff's recommended budget proposal includes no layoffs of regular, full-time staff, but would result in the elimination or reduction of a number of part time, seasonal and limited service positions and/or hours.

¹ It is important to note that the current projected reserve will drop below 15%, to approximately 6.3%, due to the rapid, unexpected declines in revenues experienced this year. However, in the recommended 10-year plan a 15% reserve is restored by FY 2015-16.

The remaining \$6.6 million structural deficit will be resolved over the next two fiscal years (Fiscal Years 2010-11 and 2011-12) through negotiations with employee organizations on salary and benefits, additional service cuts, and in revenue increases. The exact mix of these three methods is still being explored by the community, staff and the City Council.

To aid your review of this transmittal memo, the information has been organized into the following topics:

1. BACKGROUND (pg. 2)
2. GENERAL FUND REVENUES (pg. 4)
 - a. Sales Tax
 - b. Property Tax
 - c. Franchise Tax
 - d. Business License Tax
 - e. Transient Occupancy Tax
 - f. Fees and Charges for Current Services
 - g. Interfund Charges (Transfers from other Funds)
 - h. Licenses, Permits, Fines & Forfeitures
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1. BACKGROUND

The Bay Area economy continues to be pressured by changes in the financial and real estate markets and high unemployment rates. Credit standards have tightened, primarily due to significant losses experienced by financial institutions holding subprime mortgages and securities backed by these mortgages. Efforts by the U.S. Treasury, the Federal Reserve, Congress, and the White House to free up credit have yet to succeed. Tighter credit and excess housing inventories due to foreclosures have negatively impacted the real estate market. In Contra Costa County, median home prices have declined more than 50% from peaks experienced in 2006. Many economists believe that the housing market is still correcting and further price declines are likely. Increasing unemployment is a major concern; the State unemployment level is more than 12% and Concord's unemployment rate is at 13%, the highest it has been in 20 years. The housing slump and the increasing unemployment rates are exerting significant downward pressure on the City's primary sources of General Fund revenues: property and sales taxes. These fiscal challenges place even greater importance on the City's reliance on Ten-Year Financial Planning, so decisions can be made along the way to prepare proactively to address issues and make the difficult decisions regarding services to be provided.

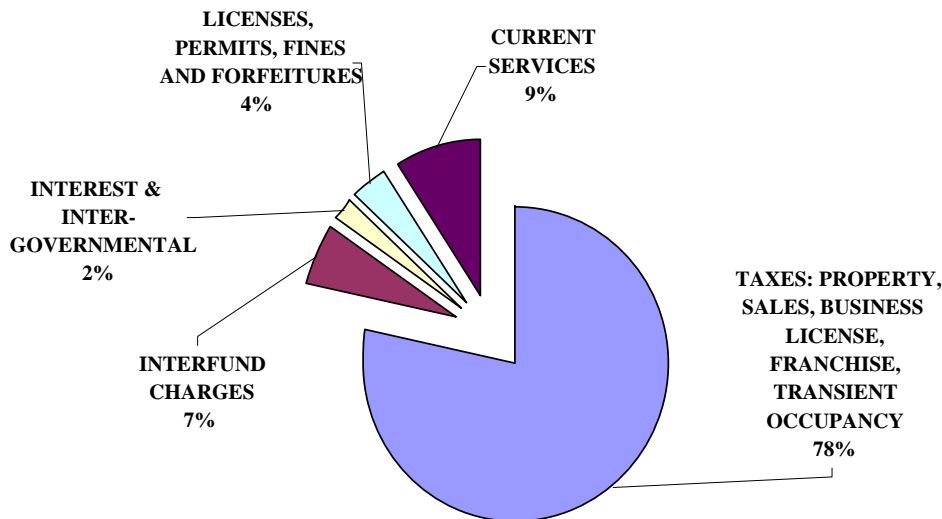
Council and the City staff have been working diligently to address the services to be provided in light of declining revenues. Because the City has a tradition of long range fiscal planning, the City Council and staff began to immediately address the budget challenges when they first appeared in FY 2008-2009. Below is an explanation of the steps the City has taken to date:

- The FY 2008-2009 budget was developed recognizing that a recession was beginning to occur and that measures would be necessary for the budget to remain in balance. As a result, \$2.3 million was cut from the budget, and, for the first time, \$1.8 million in reserves was used to balance the budget. While these measures were a good start, the recession soon proved to be much deeper than anyone originally anticipated.
- In November 2008, City staff began work addressing the budget deficit. City department heads were asked to make budget reduction recommendations. Administratively, most non-labor operating expenditure budgets were immediately lowered to FY 2007-08 levels. Additionally, a budget reduction task force composed of City employees was created and charged with looking for ways to reduce expenditures, increase revenues and/or enhance efficiencies.
- In January 2009, City staff recommended and Council adopted approximately \$4.0 million in revenue enhancements and budget reductions. Additionally, the Council modified its budget and fiscal policy to lower the City's operating contingency and other reserves to 15% of operating expenditures; previously it had been 30%. At the time, updated revenue and expenditure projections indicated that an additional \$5.2 million in revenue enhancements or expenditures reductions would be required in FY 2009-10 to achieve the new 15% reserve target by the end of the Ten-Year planning period. To allow additional time for staff and Council to strategically assess revenue and expenditure projections, staff recommended, and the Council approved, a three year phase-in of budget reductions. Due to the time value of money, this approach effectively increased the required additional budget reductions from \$5.2 million to \$6.2 million.
- In April 2009, the budget reduction task force completed its work and produced the task force report, which consolidated over 1,000 ideas into 250 actionable items. The vast majority of these ideas have already been implemented or are being considered for implementation with this proposed budget. A handful of the ideas can only be addressed through negotiations, and the remaining were found to be infeasible at this time.
- In June 2009, the City recognized that revenues had decreased further than projected and that its remaining structural deficit had climbed from \$6.2 million to \$13.7 million. The Council adopted a budget reduction phase-in strategy of \$4.0 million in cuts for FY 2009-10, an additional \$5.0 million in FY 2010-11, and \$4.7 million in FY 2011-12. The proposed budget reductions are cumulative. The \$4.0 million in FY 2009-10 cuts included non-sworn staff furloughs, benefit concessions by non-sworn management and an early retirement incentive program. The early retirement program was the primary tool for creating the vacant positions included in the budget reduction strategy. The early retirement program was successful, with 64 individual retiring, significantly limiting the number of layoffs to just eight.

- In April 2010, the City implemented an extensive outreach effort to ascertain the community's service priorities. The outreach effort incorporated a statistically valid telephone survey, a web survey and five "Living Within Our Means" Community Workshops. The information obtained through those efforts has been used by staff to guide the decisions regarding the budget cuts and revenue enhancements incorporated into this proposed FY 2010-11 budget.
- As of May 2010, the national and local economies continue to be in recession, resulting in further revenue declines beyond those previously projected. General Fund revenues are expected to be \$3.8 million less in FY 2010-11 than projected last year for the same time period. Reduced sales and property tax revenues, the City's primary sources of General Fund revenues, make up the lion's share of this reduction. As a result the estimated remaining budget deficit for the 10-Year planning period has increased to approximately \$12.7 to \$13 million from the \$9.7 million projected last year.

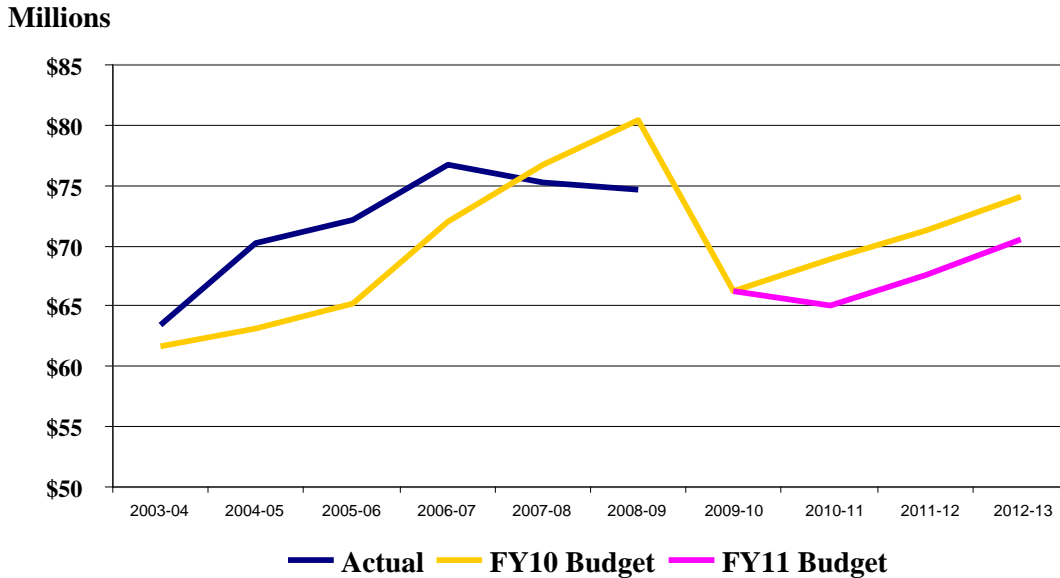
2. GENERAL FUND REVENUES

Taxes provide the majority of General Fund revenues. Charges for services received is the next largest revenue source followed by interfund service charges, licenses and permits, fines, intergovernmental, and interest income.



The current state of the economy has negatively affected the City's General Fund revenues. The proposed General Fund revenue projection for FY 2010-11 is \$65.1 million. As noted above, this is \$3.8 million less than last year's projection for FY 2010-11. The graph below provides a comparison of actual and forecasted General Fund revenues, and shows that the slowdown in the economy will reduce revenues for FY 2009-10 and FY 2010-11. The graph also anticipates a gradual recovery beginning in FY 2010-11 that is projected to continue throughout the remainder of the Ten-Year planning period.

General Fund Revenues



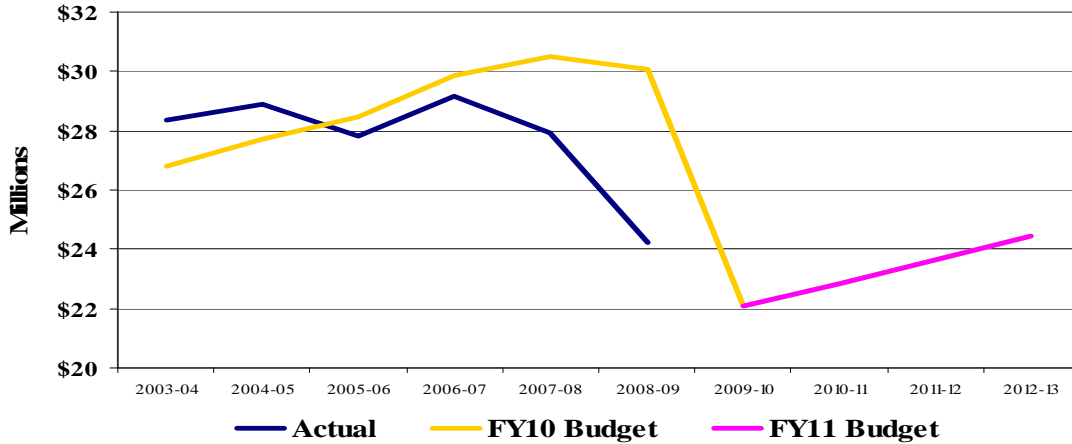
Further explanation and analysis of the City's General Fund revenues follows.

a. Sales Tax

Sales tax, estimated to be \$22.8 million for FY 2010-11, makes up approximately 34% of General Fund revenue. This is the largest single source of revenue in the General Fund. The graph below shows that the current state of the local economy has significantly impacted the City's sales tax revenues, particularly over the last two years. The reduction can be attributed to lower revenues from auto sales and transportation, fuel and service stations, building and construction and general consumer goods.

The projection for sales tax revenues in the coming years is the same as projected in last year's Ten-Year Plan. It is assumed that the economy will incrementally improve beginning in FY 2010-11, with sales tax growth assumed to be 3.5%. This represents a conservative but realistic estimate of what will be generated over the time period given the overall history of this revenue source.

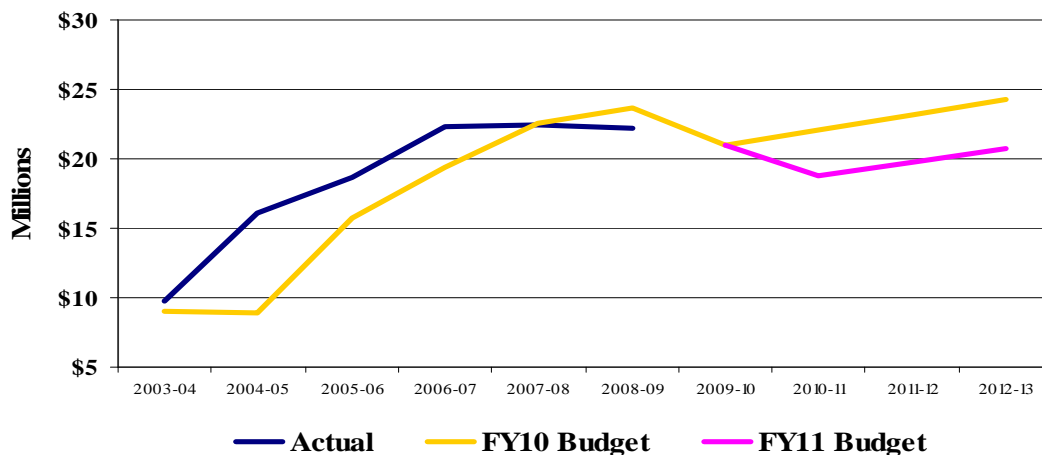
Sales Taxes



b. Property Tax

Property tax revenues represent 28% of projected General Fund revenues, and are estimated to be \$18.8 million for FY 2010-11. This projection is \$3.2 million less than was forecast in last year's Ten-Year Plan. The decrease is primarily due to an 8.4% reduction in the assessed value of property in the City of Concord for FY 2009-10 and an anticipated 5.5% reduction in 2010-11. In the following years, growth in property taxes is projected at 5% throughout the Ten-Year plan, based upon previous historical trends. However, recent changes in the regional and local housing market, where the median prices for homes have decreased 50%, need to be monitored carefully to ascertain if more conservative growth estimates are appropriate in the future.

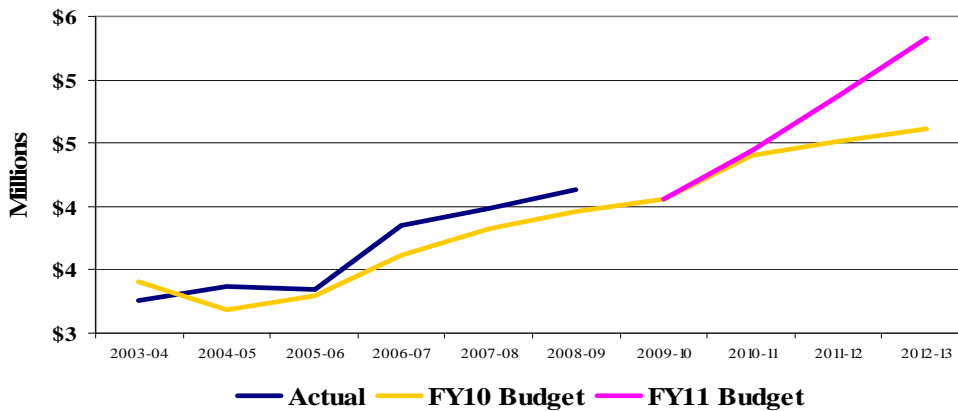
Property Taxes



c. Franchise Tax

Franchise Tax revenue is estimated to be \$4.5 million or 7% of General Fund revenues in FY 2010-11. This is consistent with last year’s projection. Franchise tax revenues are provided by waste management, cable franchise, electric and gas utility and oil pipeline franchise agreements. Electric and gas utility franchise revenues are projected to grow 3% annually. Cable franchise revenues are projected to grow 4% each year until FY 2014-15 when this revenue source is projected to decrease approximately 6% due to renegotiation of the Astound franchise agreement. The waste management franchise projection reflects the new contractual agreement which calculates franchise fees based on a percentage of gross revenues. Due to the waste management agreement, franchise taxes are projected to grow faster than last year’s plan.

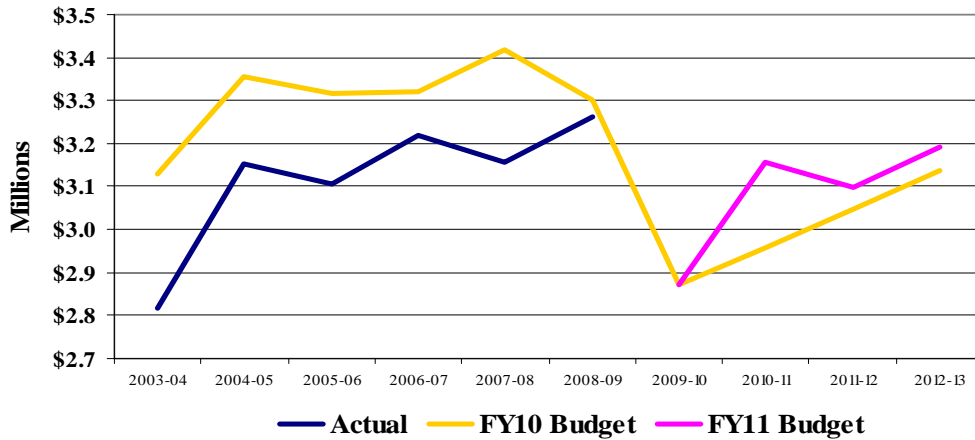
Franchise Tax



d. Business License Tax

Business License tax revenue is estimated to be \$3.2 million or 5% of General Fund revenues in FY 2010-11. The business license tax is primarily based upon gross receipts, and therefore has been very sensitive to the economic downturn. Business tax revenues are projected to be \$200,000 more than the \$3.0 million projected in last year’s Ten-Year Plan, primarily due to accelerated collection efforts. This projection incorporates more current business gross receipts information. A 3.0% growth rate is anticipated; this rate represents a conservative estimate of what will be generated given the overall history of this revenue source.

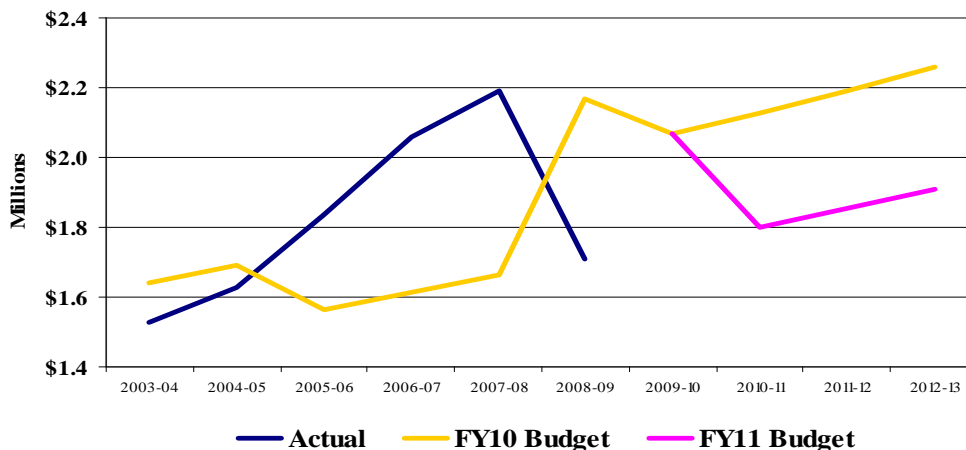
Business License



e. Transient Occupancy Tax

The budget for FY 2010-11 anticipates the receipt of \$1.8 million from Transient Occupancy Tax (commonly referred to as the “hotel” tax, charged to guests staying in hotels and motels). This revenue source provides about 3% of General Fund revenues. Transient Occupancy Tax revenues are projected to be \$300,000 less than the \$2.1 million projected in last year’s Ten-Year Plan. This projection anticipates a slight reduction in order to reflect reductions in business and pleasure travel due to the current state of the economy. As long as the number of available rooms in the hotels within the City remains static, the increase in the Transient Occupancy Tax after this year’s adjustment will remain largely inflationary and is therefore projected at 3% per year throughout the remainder of the Ten-Year Plan.

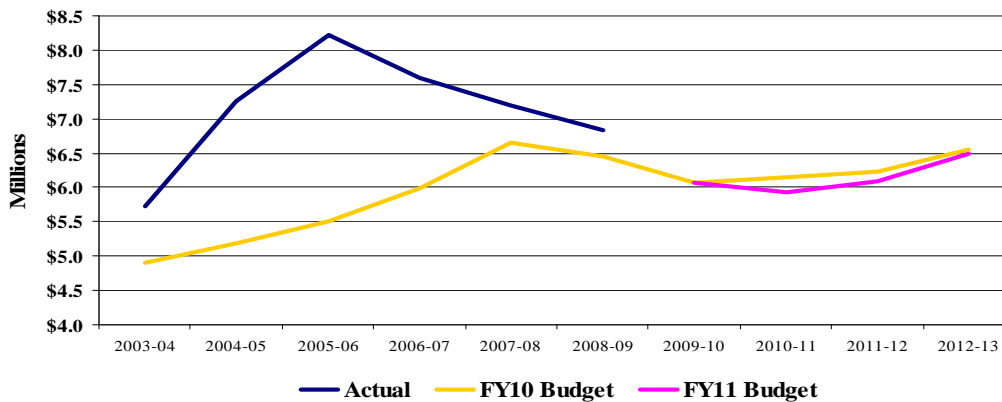
Transient Occupancy Tax



f. Fees and Charges for Services

This General Fund revenue category includes the revenues generated by all City departments for services provided. Examples include fees for use of community pools, building plan check, abandoned vehicles, and zoning administration permits. For analysis purposes this category also includes other financing and revenue sources. Current services revenues of \$5.9 million are estimated for FY 2010-11. This represents approximately 9% of projected General Fund revenues. This is \$200,000 less than projected in last year’s Ten-Year Plan. The decrease is primarily due to a further reduction in services requested from the Engineering, Building, and Community & Recreation Services divisions of the City due to the slowdown in the construction industry and reduced participation in recreation programs and classes. Fees and charges are reviewed each year to ensure the City is recouping most of its cost of doing business, where feasible. The Finance Department continues to work with each department to ensure that fees are calculated appropriately by including all the costs for providing the services received. Services that have been subsidized by the General Fund in the past are assumed to maintain these subsidies at current levels. In the meantime, under separate cover in the Fees and Charges Resolution, increases in fees generally reflect the Consumer Price Index (CPI). Where the charge is based upon “per hour” cost basis, the fee or charge will include the full cost of that hour. Below is graph of revenues in this category.

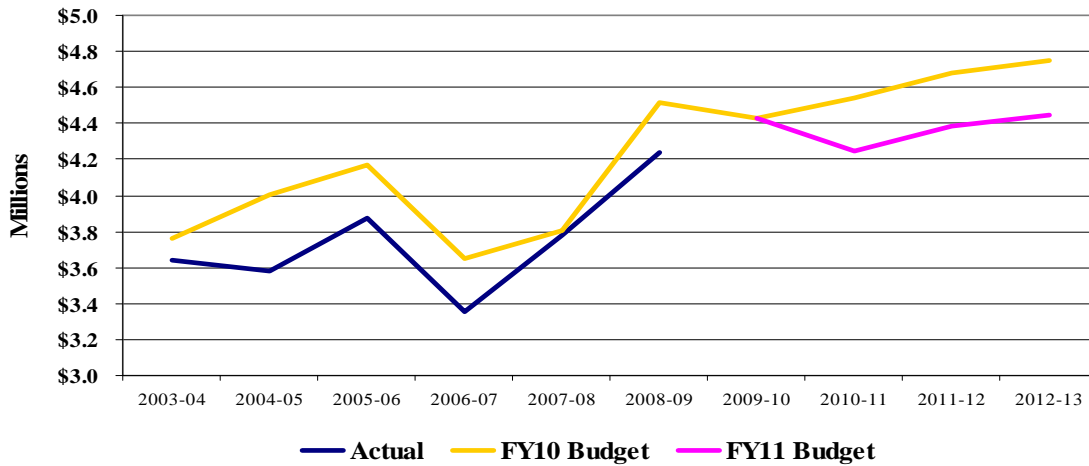
Fees and Charges for Current Services



g. Interfund Charges (Transfers from Other Funds)

Transfers are made from other funds (e.g., Enterprise Funds, Redevelopment, etc.) under a Cost Allocation Plan to pay for the support provided by General Fund departments to their operations. In FY 2010-11, \$4.2 million is budgeted for transfer to repay the General Fund for services provided. This represents approximately 7% of projected General Fund revenues. Revenues are projected to decrease \$200,000 primarily due to fewer paid golf rounds at the Golf Course and a continuing General Fund subsidy of this operation.

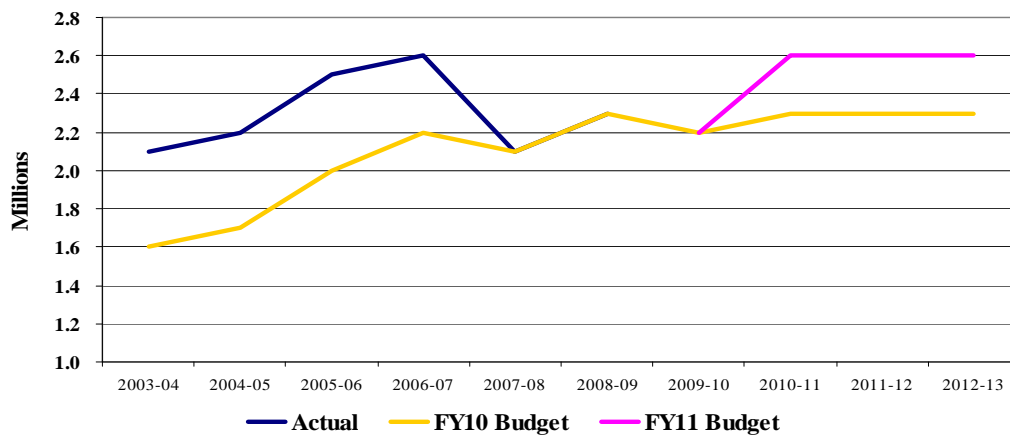
Interfund Charges



h. Licenses, Permits, Fines & Forfeitures

This revenue category is estimated to be \$2.6 million or 4% of General Fund revenues in FY 2010-11. It consists of all types of permit fees (e.g. building, plumbing, electrical) and fines assessed for vehicle moving violations, parking violations and public nuisance fines. This category is projected to increase \$300,000 when compared to last year’s projection, primarily due to additional revenues from new tow franchise revenues and parking meters. A 3.0% growth rate is anticipated in future years.

Licenses, Permits, Fines and Forfeitures



i. Use of Money and Intergovernmental

Examples of this category are investment earnings, property rentals (e.g. Waterworld lease), Motor Vehicle In-lieu funds, and grants (e.g. Citizens Option for Public Safety (COPS)). Revenues from the Use of Money and Intergovernmental revenues provide approximately 3% of General Fund revenues. Combined, they are projected to provide \$1.3 million. This is \$200,000 less than was projected last year. The reduction in these revenues can be attributed primarily to lower investment earnings due to the low interest rate environment, and a reduction in the Motor Vehicle In-Lieu projection. A 3% growth in Motor Vehicle In-lieu and property rentals is anticipated in future years.

3. EXPENDITURE ASSUMPTIONS

The Ten Year Fiscal Plan assumes each year starts from the base of the year before, which results in the budget for FY 2010-11 using as a base the wage and benefit costs from FY 2009-10. All known labor agreement Memorandum of Understanding (MOU) adjustments are then included in the base. Presently, the Office & Professional Employees International Union, Local 29 and the Administrative, Technical & Clerical Unit Public Employees' Union, Local One, and the Field & Operations Representation Unit Public Employees' Union, Local One are under negotiation. It is important to note that additional deficit reduction is anticipated this year through employee salary and benefit concessions. The ultimate savings will be determined through the collective bargaining process. For the remaining Ten-Year planning period, wage adjustments have been estimated either as required by an MOU or using a 3% CPI inflator. The Ten Year Fiscal Plan assumes that the CPI inflator will be delayed until FY 2013-14 for sworn personnel. The Fiscal Year 2010-11 recommended budget also eliminates all currently vacant positions, with only a few exceptions.

Non-labor operating expenditures were rolled back to FY 2007-08 levels. However, exceptions were made for utility services and expenditures subject to contractual commitments. CPI inflators of 2–3% for non-labor operating expenses have been included in the Ten-Year Plan projections for planning purposes unless a specific change is known. Assumptions for medical benefits and post-retirement medical benefits (OPEB) have been made in accordance with the actuarial projection prepared in 2008. Retirement related expenses, including the City's payment of its employees' PERS contribution, assume CalPERS will increase current rates from approximately 26% of wages in FY 2010-11 to approximately 36% of wages by FY 2019-20 for non-safety employees, and from approximately 37% of wages in FY 2010-11 to approximately 49% of wages by FY 2019-20 for safety employees. All additional operating costs expected due to the construction of new capital projects have been included in the Ten-Year Plan.

Service fees charged by internal service funds have been adjusted to reflect current services received and/or equipment provided. The internal service fees charged to users include the proposed budget reductions and are sufficient to meet known needs for the FY 2010-11 budget and the remainder of the Ten-Year planning period.

4. FY 2010-11 PROPOSED PROGRAM REDUCTIONS

In light of the continuing recession and its impact on the City of Concord, staff has spent the past several months identifying opportunities to bring expenditures in line with ever decreasing revenues. As a result of this effort, staff has identified expenditure reductions and revenue enhancements which total more than \$500,000 in one-time savings and approximately \$4.8 million in ongoing General Fund relief. Staff has also identified savings from other funds totaling \$900,000, which is also discussed later in this report.

Because the Internal Service Funds (e.g., Information Technology, Fleet Services) support the General Fund for the most part, reductions attributable to these functions are listed below. The impact is reflected in the General Fund by a reduction in Internal Service Fees.

The following summary table gives a high level preview of the reductions by department and the number of regular employee staff positions being eliminated. This recommended budget does not include any layoffs of regular staff; however, a number of limited service staff would be laid off as a result of the budget, some provisional assignments would be discontinued, and there is one demotion.

Starting below the summary table is a list of proposed reductions by department. The proposals have been numbered only to assist with discussions at the Council meeting and do not reflect any prioritization of the reductions. At this time, all changes included in the list below are proposed to be included in the FY 2010-11 budget, although the City Council will ultimately decide which remain and at what levels the reductions will occur.

Summary of General Fund Budget Proposals

Department	Vacant Regular Positions	One-Time	Ongoing	Total
City Attorney	0	0	\$33,400	\$33,400
Community Development	3	0	201,000	201,000
Community & Recreation	2	\$86,000	711,000	797,000
Finance	2	150,000	199,000	349,000
Human Resources	2	43,000	281,000	324,000
Information Technology	0	0	503,000	503,000
Office of the City Manager	1	0	96,000	96,000
Police	3	0	1,047,000	1,047,000
Public Works & Engineering	7	273,000	1,742,000	2,015,000
Total	20	\$552,000	\$4,813,000	\$5,365,400

Police Department

1. Reduction in Community Service Desk Hours – \$38,000

The Community Service Desk (CSD - front desk) of the police headquarters building is currently staffed with two full time Community Service Officers and several part-time police assistants. The part time staff allows the desk to be open on Saturdays and evenings until 8 pm. This budget reduction will reduce the part time staff hours and thereby reduce the number of hours the CSD will be available for public use. The desk will operate during normal business hours, 8 am to 5 pm, Monday through Friday. However, in order to mitigate the service reductions, citizens will continue to be able to access the Records lobby area 24 hours a day and make reports using the self-serve computer kiosk.

2. Reduce Part Time Hours in the Jail – \$12,000

The Jail continues to operate with approximately 1,200 part time hours to provide partial coverage during day shift hours of operation. This reduction of approximately 700 hours will reduce the remaining part-time hours and require cross-training of other Community Service Officer staff to provide booking services as necessary during day shift. One full time Community Service Officer Jail staff position was eliminated in the FY 2009-10 budget; however, the police department was able to obtain a Federal Justice Administration Grant to pay for this position through November, 2010. This full time position is anticipated to receive grant funding again this year.

3. Crime Analysis Part Time – \$9,000

In the prior year's budget reductions the police department has essentially eliminated all crime analysis staff. However, approximately 500 hours of part time hours remained available for basic crime analysis operations (.25 FTE). This budget reduction item eliminates those remaining hours and results in the cessation of all Crime Analysis operations. Any analysis necessary for the investigation of criminal cases or crime trends will be shifted to sworn police investigators.

4. Citation Sign-Offs – \$12,000 (revenue)

Many cities now charge a nominal fee to complete sign-offs of mechanical violations, which are often called "Fix-it" tickets. Therefore, this budget item brings Concord into consistency with the practices of neighboring jurisdictions and will increase revenue by authorizing a fee of \$15.00 for residents and \$20.00 for non residents. Sign-offs will only be authorized at the main police building, and staff estimates approximately 775 citations will be signed off in FY 2010-11.

5. Community Room Rental Fees – \$20,000 (revenue)

The City has historically allowed use of the Community Service Room in the Police building free of charge. This proposal will bring use of this room into conformity with the

use of other city facilities by charging an hourly rental fee. The proposed fee is \$35 per hour. Staff estimates the Community Service Room is used approximately 600 hours per year.

6. Reductions in Crossing Guard Contract – \$32,000

Last year's budget reduced the crossing guard contract by 25% in FY 2009-10 through improved efficiencies and elimination of locations with little or no student crossings. Prior to the recent reduction, the contract amount was \$174,000 per year and supported crossing guards at 22 locations throughout the city. This proposal would further reduce the contract to \$97,000, through careful review of crossing guard deployment and pedestrian patterns. Where safe and appropriate, staff would work with schools to reduce crossing guard locations or consolidate multiple locations at particular school sites.

7. Reduce Canine Team by One Canine & Handler – \$21,000

Currently the Police Department operates a canine team of eight officers and eight dogs. However, there is one dog vacancy. This proposal would eliminate the one dog vacancy, reducing the canine team to 7. This would eliminate coverage on one day shift assignment. The cost savings result from avoidance of canine acquisition costs, veterinarian bills, training expenses, officer incentive pay and other miscellaneous expenses. If a canine is required during a shift when one isn't available, Concord will request support from a neighboring agency.

8. Elimination of SWAT pagers – \$5,000

Staff reviewed all call out options for Special Weapons and Tactics (SWAT) team members and found that pagers were no longer necessary. Normal cell phone and other call out options will be utilized in the future. All pagers will be discontinued and this item will be removed from the budget.

9. Establish a Franchise Fee for Tow Operators Within the City – \$200,000 (revenue)

The Police Department maintains a list of tow operators who are used when an officer needs to have a car towed. Given the exclusive access which these tow operators enjoy for this activity, the staff costs of facilitating tows, as well as the wear and tear of the tow vehicles on the City's roadways, staff believes it is appropriate to establish a franchise fee for tow operators that operate within the City. This would be similar in concept to our franchise with our solid waste hauler. While staff would need to do more analysis to set the appropriate franchise rate, it is likely to be between \$25,000 and \$30,000 a year per operator. Should Council support this franchise fee, staff will bring the enabling documents back to Council within the first four months of the new Fiscal Year.

10. Police Officer Trainee Part Time Hours – \$50,000

Present economic conditions have resulted in a number of qualified and fully trained police officers looking for employment with the City of Concord. These officers are commonly referred to as "lateral" police officers. If and when the City of Concord begins to again hire

police officers, those new hires will likely be from the pool of lateral officers. With the increased availability of lateral officers, it is unlikely the City will need to send newly hired (entry level) police officers to a basic police academy. As such, the monies currently budgeted to pay part time wages to new hires who are attending an academy will not be necessary for the foreseeable future. Accordingly, this proposal eliminates \$50,000 ordinarily used to pay these academy trainees.

11. Reduce Overtime – \$100,000

The department has reduced overtime by \$200,000 in the last two fiscal years. This proposal continues the effort to reduce overtime expenditures by modifying overtime policies, seeking reimbursement for special events and other demands for police overtime, and carefully deploying existing resources so backfill overtime is reduced.

12. Manage Dispatch Hours – \$22,000

The department will continue to deploy injured or “light duty” personnel to Dispatch whenever practical in order to reduce the costs of backfill overtime in the dispatch center. Accordingly, 15% of the currently allocated part time hours may be eliminated from the dispatch budget without adversely affecting operational readiness.

13. Manage Parking Downtown with On-Street Meters – \$97,000 (revenue)

In order to increase turnover of limited on-street parking stalls in the Downtown area, and in order to generate operating revenue for the City, staff is recommending that the Council consider installation of parking meters within a limited area of downtown Concord. If 60 on-street spaces were metered, staff anticipates revenue of just under \$100,000 a year, with additional revenues after the costs of purchase and installation are fully paid off. All equipment acquisition, maintenance and replacement are included in the net revenue projections. This proposal assumes all of the parking garage spaces would remain free.

14. Elimination of Vacant Community Action & Awareness Corporal position – \$126,000

This position has been vacant for over 18 months due to an extended disability leave of the incumbent. The incumbent is now taking a disability retirement. The position may be eliminated with minimal impact on front-line law enforcement service delivery. The position’s duties included providing community support and facilitating problem solving. The position also assisted with recruitment, hiring and training of new police officers.

15. Indefinite Freeze of Two Vacant Police Officer Positions – \$265,000

Two vacant police officer positions would be indefinitely frozen and not filled. At this time, freezing these positions would have minimal impact on front-line law enforcement service delivery.

16. Closure of the Southern Field Office – \$38,000

The Northern and Valley Field Offices were closed as part of the FY 09-10 budget reductions. This proposal would close the last remaining field office, the Southern Field Office, located on Monument Blvd. Due to heavier usage, this field office was not part of the initial list recommended for closure. However, with the continuing budget deficit, staff believes it is now necessary to close the office and bring the operations within the main police building, which is just 1.5 miles away. The savings are the result of the reduction in part-time staff and rent.

Public Works and Engineering

17. Cost Recovery for Services Provided by Transportation Staff – \$30,000 (revenue)

This proposal allows Transportation staff to charge developers for time spent on the review and inspection of development projects. The staff rates are reflected in the Schedule of Master Fees and Charges.

18. Eliminate General Fund Subsidy to Stormwater Program – \$379,000

This proposal recognizes the costs savings due to the reduction in new Municipal Regional Permit water quality requirements. Over the 10-Year Plan, a \$7.8 million savings is projected.

19. Extend Useful Life of Vehicles by 25,000 Miles – \$273,000 (one-time)

This proposal would defer vehicle replacements by extending the assumed useful life of City vehicles by 25,000 miles. While this will result in an estimated net savings in capital expenditures due to delayed purchase of new vehicles, repair costs for the existing fleet may rise. However, no City vehicles will be allowed to violate safety standards.

20. Eliminate all Part-time Custodial Positions – \$79,000

All custodial work now performed by part-time staff would be performed by an outside contract service obtained through competitive bid.

21. Defer Building Maintenance Repairs and Replacement – \$51,000

With last year's budget, scheduled maintenance of many building facilities and assumed repairs were deferred. This proposal continues the deferral of non-essential building repairs and system replacements.

22. Eliminate the Vacant Administrative Analyst Position (ADA Coordinator) – \$135,000

In the past, the City funded an Administrative Analyst position to act as Americans with Disabilities Act (ADA) Coordinator. This position is currently vacant, and this proposal

would designate one of the existing Associate Civil Engineers as the ADA Coordinator. Administrative support will be provided by one the department's administrative staff.

23. Eliminate two Vacant CIP Construction Inspector Positions – \$117,000

Two vacant CIP Construction Inspector positions would be replaced by a consultant construction inspector on an as-needed basis.

24. Eliminate three Vacant Positions (One Parks Lead Worker & Two Landscape Gardener positions), Reduce Part-time Seasonal Staff by 50%, and Reduce Supplies by 27% – \$858,000

The frequency of performing maintenance activities in the Parks and Medians (i.e., debris removal, trimming, weed management, turf maintenance, and irrigation repair) would be reduced, with priority placed on the maintenance of high use and high visibility areas. This proposal would result in more debris and weeds, longer turf and a reduction in response times.

25. Eliminate the Vacant Maintenance Utility Mechanic Position – \$93,000

A vacant Maintenance Utility Mechanic position would be eliminated, resulting in a reduction in response times for routine mechanical equipment maintenance issues. Specialty work will be contracted out on an as-needed basis.

Community and Recreation Services

26. Reduce the Number of Umpires Provided per Adult Softball League Game from Two Umpires to One – \$25,000

This proposal will eliminate one of the two umpires provided to officiate each adult softball game through the Community & Recreation Services softball league program. This reduction in service can be accomplished without sacrificing program safety. Providing one official is consistent with the service level provided by some of the neighboring cities' Parks & Recreation softball leagues.

27. Eliminate the Contribution to the Mt. Diablo Collaborative for Academics, Recreation & Enrichment for Students (CARES) After School Program – \$96,000

During FY 2009-10, the General Fund contributed \$96,000 to support the program at Cambridge and Meadow Homes Elementary Schools, and Oak Grove, El Dorado and Glenbrook Middle Schools. The CARES program is funded primarily by state and federal grants. Combined enrollment at all five sites averages 731 students. The after school programs will be able to continue even with the reduction in City of Concord funding, although the ability to provide current staffing ratios and some attractive programming options will be affected. The following is a list of impacts:

- Continued pay freezes implemented during FY 2009-10 may affect staff retention and motivation.
- Non-essential supplies would be eliminated.
- A reduction in the number of on-site program support staff called “floaters” (from seven staff to two). These staff members provide a higher level of supervision and help to cover during staff illnesses across all sites. Student to staff supervision ratios would increase from 17:1 to 20:1 which is still considered safe.
- Staff planning time would be reduced; however, adjustments would be made on a daily basis to ensure adequate preparation and meeting time to the degree possible.

28. Reduction in General Fund Support of Community Grant Program – \$86,000 (one time)

The City administers Community Development Block Grant (CDBG) funds which it receives from the U.S. Department of Housing and Urban Development (HUD). Because the CDBG funds are limited to a cap of 15% for Public Service activities, the General Fund has historically matched or exceeded the capacity of public service grant funding for organizations that serve low-income people in Concord. The 2010-11 General Fund allocation of \$172,462 is proposed to be split over two years for a total of \$86,231 each year, ending in 2011-12. The proposed cut would decrease the number of agencies by half that will be selected for funding for the 2010-12 grant cycle. Future year General Fund subsidies to the CDBG program would be eliminated following FY 2010-11.

29. Redesign Camp Concord Operations to Emulate the Business Practices of an Enterprise Operation – \$247,000

Open since 1969, Camp Concord operates summer resident camping programs for youth, teens, and families on U.S. Forest Service land located near the shore of South Lake Tahoe. This proposal eliminates the General Fund subsidy of \$247,000 and creates a 100% cost recovery program. Modifying Camp Concord programs and business operations to emulate a sustainable enterprise style budget with limited impact to the General Fund will likely require the following:

- Elimination of low cost recovery programs such as the youth and teen resident camping programs serving approximately 400 – 600 campers each summer. Youth and teen programs exponentially increase the level of complexity for resident camp operations and require a major commitment of staffing resources to operate effectively and control risk. Most other Northern California cities do not operate full-scale summer resident camping programs designed to serve youth separate from their families.
- Develop new business models to maximize participation and use of the Camp Concord facility through higher cost recovery operations such as Family Camp and user group rentals. The Family Camp portion of the site is electrified and in a better position to attract consistent participation. During the early and late-season months, approximately 20 groups utilize the Camp facility for a variety of rental uses. The goal is to expand this activity.

- Additional assistance from the non-profit partner Friends of Camp Concord (FOCC), to explore a consistent annual contribution of funds targeted for camping programs and on-going maintenance, with the overall goal of keeping the facility open for future generations to enjoy.

30. Downgrade one Senior Recreation Program Manager to Program Manager – \$7,000

During the FY 2009-10 budget reduction process, a number of programs were eliminated or reduced on the community and social service side of the department. Because of these reductions, the Senior Recreation Program Manager's scope of management oversight and day-to-day duties have changed and, therefore, with some additional organizational restructuring, this position will be downgraded to a Program Manager Position.

31. Eliminate one Program Manager Position with a Pending Retirement in September 2010 - \$130,000

An existing Program Manager has announced intentions to retire in September 2010. This provides the opportunity to restructure the department, shift a program responsibility to the Parks Division, and redistribute the remaining workload among the CRS management staff. This restructure will result in a heavier workload and additional staff oversight for the department head and the one remaining Senior Recreation Program Manager. Due to the loss of staff from last year's budget cuts and the need to redistribute workload resulting from this additional staff reduction, the Human Relations Commission is proposed for elimination and the Community Services Commission would need to reduce their meeting frequency.

32. Eliminate Vacant Administrative Assistant Position – \$111,000

The Administrative Assistant retired as part of the retirement incentive plan in September 2009. Elimination of this position results in elimination of all clerical support to the Community & Recreation Services (CRS) Department. This position also staffed the front reception counter and answered the department main phone lines from 8 a.m. to 5 p.m. Since the retirement of the Administrative Assistant, as well as the retirement of the Customer Service Coordinator, CRS has reduced its customer service office hours to 10 a.m. to noon and 1 p.m. to 3 p.m. Customers will need to continue to self-serve through the internet, on-line registration, and mail-in registration. Staff's ability to respond to customer calls and emails will be reduced and delayed. Reductions in revenue are anticipated as customers who cannot have their requests handled in a timely manner may go to surrounding communities to obtain services. The department's other staff will spend additional time on clerical support functions with the elimination of all clerical support to the department.

33. Reduce Part-time Registration Clerk Support – \$16,000

When the Customer Service Coordinator retired as part of the retirement incentive program in September 2009, the department relinquished this position as a budget reduction measure for the FY 2009-10. A small allocation of \$16,000 was retained in the budget to hire part-time customer service support during the busiest spring and summer seasons. This proposal eliminates that additional funding for customer service support and will result in a reduction

in the timely response to program registration, picnic facility rental requests and other public inquiries. A potential reduction in revenues is anticipated if customers do not feel they are receiving timely customer service support and choose to take their business elsewhere.

34. Closure of Concord Community Pool (CCP) for the Three Months of November through January. Eliminate Part-time clerical/customer Service Position at Centre Concord – \$79,000

The winter months at CCP are the most costly months to operate. Utility costs are at their highest while community use of the pool is at its lowest. This proposal would close the pool for the months of November through January. During these three months the aquatics coordinator would be assigned to support the operations at Centre Concord, and result in the elimination of a part-time customer service staff position at an annual cost savings of \$27,810. This reduction will impact the level of customer service the department is able to provide on a year round basis to Centre Concord rental customers. It will also create a shift in staffing on Saturdays where the department has traditionally scheduled a full-time facility coordinator to work providing a higher level of customer support and oversight. Saturdays will need to be covered by part-time facility staff, potentially impacting customer response, support and troubleshooting.

This proposal would save \$51,190 by reducing utility, chemical and other operational costs during the three month closure of CCP along with a savings in lifeguard costs. This proposal would impact approximately 100 individual lap swimmers who utilize the pool during these months for fitness. The closure would also have a significant impact on the Terrapins Swim Team, who rent the pool year round. The Terrapins would need to relocate to an alternative pool facility for this three month closure period.

Community Development

35. Cost Allocation – \$124,000

In reviewing the work of the Planning Division, it has been determined that additional time may be properly allocated to the Redevelopment Agency. Using the premise that each fund pays for the services it receives, this is an appropriate cost allocation.

36. Reorganize the Department Management Structure – \$415,000 total, \$48,000 General Fund

The Community Development Department will be reorganized effective for FY 2010-11. Community Development staff will report to the Assistant City Manager and Economic Development staff will report to the City Manager. The Community Development Director position will be eliminated as will the Economic Development Manager position. These positions were allocated among the General Fund, the Redevelopment Agency and the Low/Moderate Income Housing Set Aside funds. The savings generated will be reflected in each respective budget.

37. Terminate the Provisional Appointment of the Neighborhood Services Supervisor and Revert the Position to a Neighborhood Services Specialist – \$29,000

The Neighborhood Services Supervisor is provisionally filled with one of the Neighborhood Services Specialists. Given the small size of the Division, and Council's direction to flatten the organizational structure, this change is feasible. The supervisory duties previously performed by this position will be performed by the Division Manager. The Supervisor position which has become vacant will be eliminated and replaced with the specialist position previously held by the incumbent prior to his provisional appointment.

Information Technology

38. Host Maintenance Work Order System in the Cloud (Cloud Computing) – \$5,000

This is part of the change in approach Council authorized in the FY 2009-10 budget process to explore options for implementing Cloud Computing. Implementing the Cloud hosted version of the Maintenance Work Order system will keep the system under manufacturer support and reduce the IT staff time required to support the Work Order system. There will be no change in service levels to either Maintenance staff or to City staff needing to create work requests as a result of this change.

39. Replace Existing PBX based Telephone System with Voice Over Internet Protocol – \$70,000

Continuing to replace the aging PBX based telephone system with a Voice Over Internet Protocol (VOIP) system will eliminate the need for part time telephone support staff and reduce system maintenance and support costs.

40. Implement Managed Print Services – \$22,000

This is part of moving desktop support services to a 3rd party as approved by Council in the FY 2009-10 budget process. Implementation of Managed Print Services eliminates replacement costs, service and repair costs, and significantly reduces the cost of producing printed information. The vendor charges a fixed rate of 1.8 cents (\$0.018) per printed page which covers toner, repairs including parts, and replacement of the equipment when necessary. As a result of implementing Managed Print Services all City Departments will no longer need to purchase printer toner. When a printer requires toner or needs attention the vendor will be on site within 4 business hours to address the issues.

41. Reorganize System Programming & Document Services Support – \$83,000

This proposal eliminates a contract position that performs desktop publishing duties and further reduces part time support for Enterprise business systems. As a result of eliminating document services the monthly employee newsletter "City Talk" will either be discontinued or delivered as an on-line publication only. Additionally, the graphic design support this function provides to Printing Services will be eliminated. The reduction in part time support

for Enterprise business systems increases the risk of failure, particularly for Time Card and Performance Based Budget systems.

42. Simplify Desktop Management Approach – \$132,000

Changing the tools and methods used to manage the City's desktop computers from an extremely complex system to a less complex system results in significant savings. The new approach preserves the software licensing, management of computers and software, and reporting provided under the original system. There will be minimal, if any, change in the way City staff use computers.

43. Eliminate Maintenance Services Radios (Public Works & Engineering) – \$33,000

Under this proposal Public Works staff would no longer use radios for routine communications among and between field staff and administrative staff. Instead, staff would use already existing cell phones with the walkie-talkie feature for communication. The savings results from turning off and discontinuing support for the non-safety radio infrastructure and FCC licensed channels. IT will maintain a cache of radios at the Corporation yard that will allow Public Works staff to communicate with Police Dispatch in the event of an emergency situation where cellular networks have failed.

44. Change Local and Long Distance Telephone Service Provider – \$3,000

Switch local and long distance telephone service to AT&T under the statewide CALNET-2 contract. There is no impact to City staff as a result of this change.

45. Lease Instead of Purchase Mobile Data Computers (MDCs) in Police Vehicles – \$100,000 per Lease, Implemented at \$20,000 per Year

The current Motorola MDCs are scheduled for replacement. IT has worked with Police command staff to identify viable alternatives to Motorola equipment which carries premium pricing. While a public bid will be required, preliminary analysis reveals that the City can save approximately \$100,000 over the life of an MDC by using a different manufacturer and leasing instead of purchasing replacement MDCs.

46. Reduce Lawson System Replacement Value by \$1.5 M. – \$100,000

Under this proposal the replacement value of the HR and Finance (Lawson) system will be reduced by \$1.5 million, which results in a net annual reduction in replacement costs of \$100,000. Currently Lawson replacement is valued at \$3 million. This reduction may result in additional funding being needed when and if the Lawson software is replaced. However, HR, IT and Finance staff are exploring alternative software which may be less expensive.

47. Extend Desktop Computer Replacement by One Year, to 5 years, and Lease Replacements – \$35,000

Currently, desktop computers are replaced every four years. The computers come standard with a three year warranty and generally operate without problem for four years. Industry standard replacement cycles range from three to five years. Extending computer life one additional year will result in 20% of City staff having a computer that is five years old. Such a computer may be slower than co-workers' computers and may not support the most current versions of an operating system or a business application. Much of this impact would be mitigated by migration of computers among staff so that the complexity of computer needs is matched with available machines. Additionally, the possibility of increased repair and support costs exists on the older machines.

Finance

48. Business Licenses Compliance and Enhancement – \$150,000 (one time revenue), \$50,000 (ongoing revenue)

The Revenue Generation Program in the Finance Department has developed a more proactive approach to ensure that all Business License revenues are charged and collected. With the support of the Volunteers in Policing, staff is canvassing the City to ensure that businesses not only have licenses, but have their licenses visible to the public in accordance with the Concord Municipal Code. In addition, staff is using a number of databases, including information from the Franchise Tax Board, to update compliance and to increase business license revenue.

49. Eliminate Vacant Account Clerk III Position – \$37,000

With the resignation of an Account Clerk III, Revenue Generation and Treasury staff has reorganized the workload. Part-time funds totaling \$30,000 have been retained to continue the revenue generation business license efforts and to provide support to the Finance front counter. With the elimination of this position the Finance front counter hours will be reduced from 8 a.m. to 5 p.m. to 9 a.m. to 4 p.m., including closure during the lunch hour. To offset this impact, on-line business license renewal will be implemented.

50. Eliminate Vacant Budget Analyst Position – \$112,000

The Budget Analyst has retired and this position will be eliminated. A remaining allocation of \$50,000 has been retained for part-time professional services support. The timeliness of internal and external responses will decrease with the loss of this position.

Human Resources (HR)**51. Reduce the Employee Assistance Program (EAP) Budget to Reflect Budgeted Full Time Employees (FTEs) – \$8,000**

The Employee Assistance Program is administered by Managed Health Network and provides employees with short-term counseling services in the areas of emotional health and work/ life balance assistance. The fee for EAP services is based on the number of full-time employees and due to the reduction of FTEs the rate charged to the City will be reduced accordingly.

52. Reduction in Recruitment Budget to Reflect Lower City Staffing Level – \$43,000

Due to the current budget crisis, hiring freeze, and reduction of City staff, recruitment services are at a minimum. In addition, the amount budgeted for associated pre-employment exams exceed actual usage. Following the proposed reduction, the remaining balance in the Recruitment and Selection budget would allow for one Executive Recruitment and the remaining balance for pre-employment medical exams will cover the limited amount of recruitments being performed. The reductions for recruitment and for pre-employment exams are \$25,000 and \$18,000 respectively.

53. Reduce Employee Development Training to Fund Mandated Training Only – \$48,000

Remaining funds will continue to support mandated training, including those required by AB 1825 Prevention of Sexual Harassment and AB 1234 Ethics Training for Local Officials. The City's training philosophy and management practices that were prevalent in times of growth will be revisited once the economy and the City's budget stabilize.

54. Reduce Employee Service Recognition Awards – \$15,000

Currently cash awards are provided for employees who reach milestone anniversaries starting with five years. This action will provide cash awards only to those employees achieving 20 or more years of service.

55. Eliminate Two Vacant Human Resources Analyst II positions – \$210,000

The Human Resources Department currently has two vacant HR Analyst II positions which have been unoccupied for over twelve months. The work previously performed by these positions has been absorbed by remaining HR staff with support from contract employees. This action formalizes this arrangement; \$80,000 of the position salaries will be made available for limited services support, the remaining \$210,000 would be removed from the budget.

Office of the City Manager

56. Changing Records Storage Vendors – \$14,000

During FY 2009-10 a Request for Proposal (RFP) was issued to solicit companies who provide hard copy storage. A new contract was issued which will result in the savings as indicated.

57. Allocate Existing Administrative Staff to Support Grant Funded Base Reuse Efforts – \$37,000

At the end of the current Office of Economic Adjustment (OEA) Grant cycle in September 2010, staff will rewrite the duties of the funded administrative position to reflect half-time support to the reuse project. The use of current staff will release the need for a contract administrative support position. The affected staff will absorb the duties as necessary which may cause a small reduction in the level of service provided to the City Council, the public, and the base reuse project.

58. Reduce the City Council Travel Budget – \$20,000

The members of the City Council will limit their travel to conferences.

59. Reduce Video Services Coordinator to Half-Time – \$25,000

The Video Services Coordinator position is currently filled by a provisionally appointed employee. The services provided by this position will be reduced by 50% which will translate into continued live-broadcasting of Council meetings and prioritization and possible reduction of all other functions of the position. In general, time will be cut from some or all of these current services: broadcasts of Commission Meetings, live events in Todos Santos Plaza, graduations, the development of public service announcements, and transferring responsibility for maintaining the electronic bulletin board to other staff.

City Attorney

60. Part-Time Clerical Support – \$28,000

The City Attorney's office is currently using part-time legal secretarial support two days per week. This support will be discontinued in FY 2010-11.

61. Staff Development – \$5,400

The City Attorney's office will reduce the amount of General Fund money supporting training. This amount will be replaced by a non-General Fund source. The attorneys will continue to ensure that all licensure continuing education requirements are met.

As stated above, as departmental staff reviewed all the services provided, some savings opportunities were identified which save resources outside the General Fund. These savings have been built into the Municipal Budget and 10-Year Plans in their respective funds and are as follows:

Community Development (Outside General Funds)

62. Eliminate Vacant Housing Administrative Analyst – \$114,000

The currently vacant Housing Administrative Analyst position would be eliminated. Minimal impact on the City's Housing program would occur.

63. Reduce Redevelopment Operating Expenses – \$400,000

Staff is proposing lowering the spending in a number of categories to reduce the impact on redevelopment funds by \$400,000. Examples include reducing the marketing and promotions budgets, the strategic plan implementation budget, the façade improvement program, staff conferences and training, and support for contract garage security.

In addition, item #4 above describes a management reorganization that results in approximately \$367,000 in savings to other funds.

Public Works and Engineering (Outside General Funds)

64. Various Reductions in Storm Water Fund Program Activities – \$132,500

By reducing creek maintenance, inspections and cleanups, \$76,500 will be saved each year. In addition, by reducing street sweeping during the dry seasons, an additional \$56,000 will be saved.

5. SUMMATION

The recommended budget for FY 2010-11 is a continuation of the effort we embarked upon 18 months ago to bring the City's budget back into balance and return to a sustainable fiscal condition. Although this budget does not completely resolve the structural imbalance between revenues and expenditures, it reduces the budget gap to \$6.6 million. This represents tremendous progress, particularly in light of the precipitous decline which occurred in nearly every General Fund revenue source beginning in 2008. I am confident that over the next two years we will be able to close this gap through a combination of additional service cuts, employee concessions, and potential new revenues.

Although we are clearly making progress in addressing this fiscal challenge, it would be wrong to conclude that any of the proposed changes will be easy, or will not be felt by the residents and businesses of Concord. With this budget, we are proposing fundamental changes to service levels throughout every City department, changes which are likely to be long-term in nature or permanent. The importance of finding greater efficiencies in all City operations and generating

new revenues has never been more important than today. If we are to continue to meet the needs of this growing community and preserve the fiscal health of this organization, we will truly need to develop additional ways to “Live Within Our Means.” With your continued support, support from our employees, and the support of the Concord community, I am sure we are capable of living up to this challenge.

A handwritten signature in black ink, appearing to read "Daniel E. Keen", with a long horizontal flourish extending to the right.

Daniel E. Keen, City Manager

**City of Concord
General Fund
Ten Year Projection
For the Year Ending June 30, 2011
With FY 2010-11 Proposed Budget Cuts & Revenues
(000's)**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Beginning Fund Balance 7/01	\$ 9,619	\$ 4,440	\$ 5,524	\$ 6,963	\$ 8,616	\$ 10,249	\$ 11,697	\$ 12,736	\$ 13,239	\$ 13,375
Operating Revenues	\$ 65,148	\$ 67,600	\$ 70,561	\$ 73,364	\$ 75,765	\$ 78,536	\$ 81,428	\$ 84,431	\$ 87,327	\$ 90,795
<u>Appropriations</u>										
Operating Expenditures	\$ 72,327	\$ 74,706	\$ 76,990	\$ 79,901	\$ 82,322	\$ 85,278	\$ 88,579	\$ 92,118	\$ 95,381	\$ 98,796
Phase In Expenditure Reductions	(2,000)	(8,190)	(8,190)	(8,190)	(8,190)	(8,190)	(8,190)	(8,190)	(8,190)	(8,190)
Capital Improvement Projects (CIP)	-	-	322	-	-	-	-	-	-	-
Total Appropriations	\$ 70,327	\$ 66,516	\$ 69,122	\$ 71,711	\$ 74,132	\$ 77,088	\$ 80,389	\$ 83,928	\$ 87,191	\$ 90,606
Revenue Over(Under) Appropriations	\$ (5,179)	\$ 1,084	\$ 1,439	\$ 1,653	\$ 1,633	\$ 1,448	\$ 1,039	\$ 503	\$ 136	\$ 189
Ending Fund Balance 6/30	\$ 4,440	\$ 5,524	\$ 6,963	\$ 8,616	\$ 10,249	\$ 11,697	\$ 12,736	\$ 13,239	\$ 13,375	\$ 13,564
General Fund Reserves as a % of Operating Expenditures	6.3%	8.3%	10.1%	12.0%	13.8%	15.2%	15.8%	15.8%	15.3%	15.0%