

City Commission Budget Workshop

January 20, 2010

Purpose of Workshop

- Share where we are financially and our approach to addressing budget issues over the next several months
- Share Administration's plan for addressing \$700,000 current year shortfall
- Share planned process for development of FY10-11 budget

The Backdrop

- Tough economic times, especially in MI
 - Grand Rapids - \$27.43 million shortfall, 125 jobs eliminated including 44 PD & 25 FD
 - Lansing - \$3 million shortfall, 10% across the board cuts, 14 PD layoffs (possibly 14 FD)
 - Flint - \$14 million shortfall, layoffs of 68 PD, 22 FD
 - Kalamazoo - \$3.5 million shortfall
 - Midland - \$4.7 million shortfall

The Backdrop

- And what about State government?
 - It's going to take a long time for our State government to get their financial situation turned around and we can't wait for them
 - We need to balance our budget based on our best projections on where revenues will be in the near and long term
 - We need to manage our dwindling resources responsibly and strategically

The Backdrop

- Our financial challenges are not just the result of State government's financial problems
- Economic conditions are also contributing and recovery will be slow, especially in Midwest & MI
- Things will likely get worse before they get better

The Backdrop

- It's not all bleak because we're better off in BC than many other communities
 - Downtown investments will retain jobs and create some new ones, but greater positive impact is diversification and developing an educated, tech savvy workforce
 - Industrial Park investments – USO still up in the air, but Toda America and other prospects will help local job picture & economy

The Backdrop

- Most don't view it this way, but City government is a major employer in BC
- Want to preserve as many City jobs as possible, but a stabilized local economy is probably 2-3 years away, and positive impact on local government revenues is probably 2-3 years beyond that
- Need to balance cost reduction without "gutting" the organization

The Backdrop

- We've been through over a decade of instability in the City budget:
 - FY99-00 – Kellogg closes South Plant resulting in over \$4 million impact to City budget
 - FY00-01 – 10 full-time positions and 1 part time position across 5 departments are eliminated

The Backdrop

- We've been through over a decade of instability in the City budget:
 - FY01-02 – General Fund budgets adopted with 1% increase, only to see a 2% reduction as part of a mid-year budget adjustment
 - FY02-03 – Again, General Fund budget adopted with 1% increase, but to maintain service levels, fund balance used to lessen the impact of cost increases (consumer prices increased about 2%)

The Backdrop

- We've been through over a decade of instability in the City budget:
 - FY03-04 – Adopted budget includes over \$2 million in expenditure reductions and revenue enhancements
 - FY04-05 – Budget shortfall of \$2.9 million addressed through \$1.7 million in cost and service reductions and \$1.2 million in tax increases/revenue enhancements

The Backdrop

- We've been through over a decade of instability in the City budget:
 - FY05-06 – Projected \$2.5 million structural deficit identified over 2 year period.
 - Closure of Fire Station No. 1 (\$510,000 in overtime cost savings)
 - Service reductions totaling \$985,000
 - Revenue enhancements totaling \$885,000
 - Use of \$115,000 from fund balance.

The Backdrop

- We've been through over a decade of instability in the City budget:
 - FY06-07 – Full funding of departments with 3% increase and no service reductions. But consumer prices rose nearly 6%
 - FY07-08 – Budget increase of 2% with no service reductions. Consumer prices rose nearly 8% during that same period.

The Backdrop

- We've been through over a decade of instability in the City budget:
 - FY08-09 –Budget approved with 0.7% increase and no service changes.
 - \$750,000 General Fund mid-year budget reduction authorized to address a projected shortfall as a result of the economic downturn

The Backdrop

- We've been through over a decade of instability in the City budget:
 - FY09-10 (Current fiscal year) – Budget approved with \$2 million in budget realignments.
 - 23 position eliminations, reducing the total workforce by 4%.
 - No wage increase for Non-represented employees and Fire Battalion Chiefs

Where We Are Today

- General Fund Expenditure Budget = \$47 million w/\$5.8 million fund balance
- Total City workforce has been reduced by 9% (56 positions) over the past 11 years
 - 15 management level positions
 - 41 non-management level positions
- State Shared Revenue reduced at least \$700,000
- Too early to project income tax revenue, but logic says it will be down

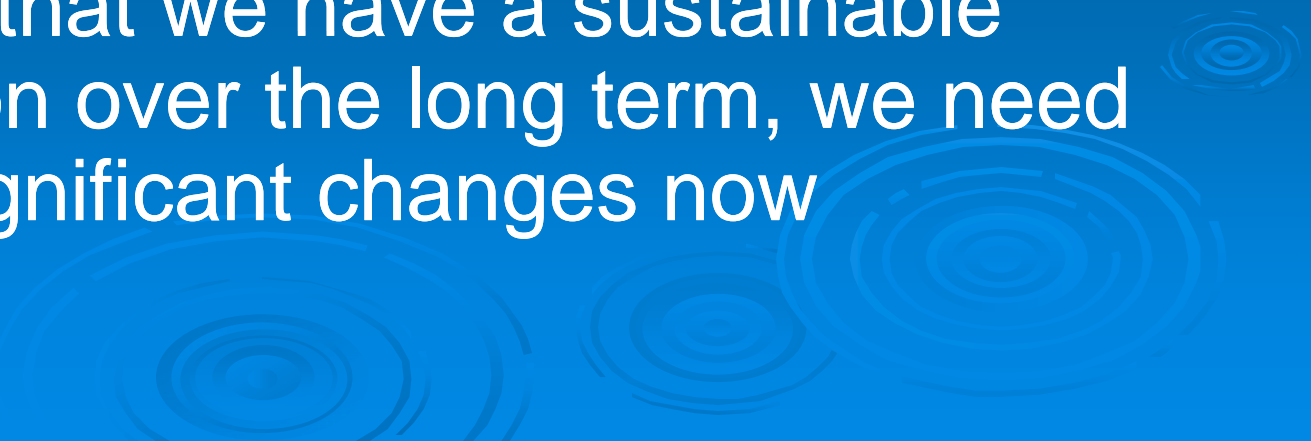
Where We Are Today

- Property tax revenue will be impacted by the economy
 - Mortgage foreclosures @ 2%
 - Property values appear to be declining, impacting property tax revenue for the foreseeable future
 - Residential – 10%
 - Commercial – 2%

Where We Are Today

- Pension Funds still will require additional funding from City to address '08 losses
- Projected shortfall for FY10-11 is in excess of \$2 million
- Additional shortfalls beyond FY10-11

How do we deal with this crisis?

- We cannot be like State government and look for quick fixes to solve the problem
 - We cannot ignore the prospect of even more revenue losses in the near future
 - Need to recognize that things cannot stay the way they exist today.
 - To ensure that we have a sustainable organization over the long term, we need to make significant changes now
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How do we deal with this crisis?

- We are placing a priority on minimizing job losses, but need everyone's help to do so
- Need to find greater efficiencies by:
 - Working more across departmental lines and minimizing duplicated internal work activities
 - Working in greater collaboration with other community and regional partners to minimize duplicated services and share in the cost of common services

Addressing Current Year Shortfall

- Some help has arrived - BCBSM refund = \$172,000
- Retirement vacancies not filled
 - Police Detective
 - Police Records Operational Rep
 - Police Sergeant
 - Others expected within next 2 months

Addressing Current Year Shortfall

- Eliminate 4 positions through layoff
 - Purchasing Buyer
 - PT Account Clerk – Finance
 - 2 Neighborhood Organizer positions
- Contracting park maintenance (mowing, trash pickup, etc.) - \$100,000
 - No layoffs – employees reassigned to downtown maintenance with salaries covered by DDA
- Furloughs for all employees
 - 1 day (8 hours) per month for April, May, June
 - Saves \$265,000 in GF, \$385,000 org wide

Addressing FY10-11 and Beyond

- Elimination/reduction of services likely
- Although we will continue attempt to minimize layoffs, cannot avoid some
- Reduction of OT expenses through scheduling & deployment
- Suspension of some payments likely
 - Longevity, educational incentives, etc.
- Bargaining unit cooperation is critical

Addressing FY10-11 and Beyond

- Staff is currently looking at every service we provide to determine:
 - Mandated vs. non-mandated services
 - Current staffing, equipment levels for each service
 - Common services across departmental lines
 - Cost necessary to reasonably and adequately provide each service
 - May not be completed for FY10-11 budget

Next Steps

- Budget reduction resolution to Commission for action in February
- Implementation of current year budget reduction action
- Development of final revenue projections
- Meetings with department & division heads to identify possible cost saving measures

Next Steps

- Review of employee budget suggestions
- Possible budget update workshop in March or April
- Budget recommendation to Commission at late April – early May workshop
- Add'l budget workshop(s) in May (if needed)
- Budget hearing & budget adoption by first meeting in June

Discussion & Questions

