

## CITY COUNCIL

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Reso No. \_\_\_\_\_ File No. \_\_\_\_\_

Ord No. \_\_\_\_\_

**Agenda Item No.: 15**

**Date: May 11, 2011**

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Gilbert Rojas, Director of Finance  
Jerry Van Leeuwen, Director of Community Services

**SUBJECT:** Review Draft of General Fund Two-Year Budget and Discuss Changes to Recreation Program

**RECOMMENDATION:**

It is requested that Council provide direction to staff.

**FISCAL ANALYSIS:**

A two-year General Fund budget projection has been submitted with the assumption that sales tax and property tax will continue to show growth. The Fiscal Year 11/12 budget has General Fund sources equaling uses with no use of reserves. The Fiscal Year 12/13 budget has the city projecting \$472,645 being added to our reserves.

**CORRELATION TO THE CITY COUNCIL ACTION PLAN:**

This item relates to the Council's Action Plan regarding Financial Stability.

**PREVIOUS ACTION:**

On January 26, 2011, staff presented to the City Council preliminary revenue estimates and appropriations which left an unfunded gap of 2.8 million dollars. The City Council directed staff to look at the following areas for possible reductions: Center for the Arts funding, Pension Reform, East Valley Branch Library and recreation facility, Recreation funding, Police budget, Funding to Outside Agencies and Outsourcing city services and making operations more efficient.

On February 16, 2011, staff brought back financial information regarding areas that Council had asked staff to evaluate. The Council directed staff to proceed with plans to lower service levels in those areas in order to accomplish a budget that does not rely on reserves.

On March 23, 2011, a presentation was done by Community Services regarding the Recreation budget and the Branch Library budget to show the affect a funding reduction would have to those programs. The Chief of Police also reviewed the Police budget and the affect that a \$250,000

reduction would have on their budget. The City Council directed staff to proceed with the plan and to come back with information on how a two year budget would affect city finances.

BACKGROUND:

At the request of the City Council, a working draft of the General Fund budget has been prepared. The proposed budget has some significant changes to service levels. The East Valley Branch Library will be closed effective June 2011. Contributions will be discontinued for Education Compact, Arts Partnership and History Center. The City will negotiate with the different employee groups a change in funding retirement benefits as well as the actual retirement benefit. Due to the length of time to evaluate the possibility of outsourcing city services this budget does not address the possible savings brought about by outsourcing. The contribution for the Center for the Arts has been reduced. The Police Department budget has been reduced.

The Recreation budget has been analyzed further by staff. In addition, staff conducted a survey to determine the ability and willingness of the customers to pay increase fees for various programs. Other strategies to increase revenues and decrease expenses, including reductions in the number of staff, result in recommendations to:

Eliminate the position of Assistant Director for the short term and conduct a reorganization study for the Recreation and Older Adults Divisions of the Community Services Department.

Increase fees for all programs that are not currently covering all costs but be sensitive to market conditions.

Expand revenues from corporate partnerships, naming rights, and sponsorships

Expand/revise schedule of programs at the Sports Center to increase revenues.

Restructure Tiny Tots from a staff directed program and consider alternative uses at one or both locations.

Maximize use of the East Valley Community Center and decrease use of the Mathes Center for recreation programs. Explore expanded use of the Mathes Center for Library based programs/services.

Evaluate the Skate Park operation. Consider alternative operating models to maintain some accessibility or close the facility and restrict its use to private rentals. (Staffing costs will be reduced by implementation of new programs suggested above)

With these actions completed, it is possible that revenues will be adequate to cover all expenses by the end of the two-year budget cycle. If revenue shortfalls occur, the recreation fund balance will be used to augment revenues.

Staff has also evaluated pool operations. Because the City pools are the only resource of this type for the community, staff has explored several options. Staff is recommending that programming for the summer continue as planned with an increase in fees. In addition, open pool time has been reduced in order to increase swimming lessons that are more profitable. As for the fall, it is necessary to increase fees by 107% to achieve full cost recovery. This is a substantial fee increase and staff is requesting additional time to explore alternatives with the schools and community. One option under consideration is the closing of Jim Stone Pool in Grape Day Park. However, the capacity at Washington Park is not adequate to meet all the demands for programming, particularly by the schools. Demolition and removal costs for this option have not been assessed but would be significant.

Respectfully submitted,



Gilbert Rojas  
Director of Finance



Jerry Van Leeuwen  
Director of Community Services



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**( ) There is no material for this agenda item**

**THE FOLLOWING ITEM(S) WILL BE DISTRIBUTED WHEN AVAILABLE:**

- ( ) Staff Report**
- ( ) Resolution No.**
- ( ) Ordinance No.**
- ( ) Exhibits/Attachments**

**DUE TO THE SIZE OF THIS AGENDA ITEM:**

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| <b>( ) COUNCIL MEMBERS:</b>    | <b>A copy is in the council Reading File</b>   |
| <b>(X) Staff &amp; Others:</b> | <b>A copy of the Draft General Fund Operating Budget is available in the City Clerk's Office for viewing</b> |