

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

March 9, 2009

## SUBJECT

Affirmation of City Council direction for preparation of Fiscal Year 2009/10 Budget

## RECOMMENDATION

Affirm and/or provide additional direction to staff pursuant to Council discussion at the February 23, 2009 City Council budget study session.

## BACKGROUND

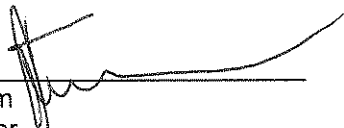
The City Council held a budget study session on Feb. 23, 2009, and provided initial input to staff for the preparation of the FY 2009/10 budget. The attached document, entitled "*AFFIRMATION OF CITY COUNCIL DIRECTION – DEVELOPING A BALANCED BUDGET – Draft Summary of Feb. 23, 2009 City Council Study Session*" has been compiled for further consideration by the City Council, and will be finalized based on Council's discussion and direction to staff. The executive team will use this information to shape the city manager's recommended budget that will be submitted to the City Council in June.

## ALTERNATIVES

Council could direct staff to return with additional information or could provide alternative direction to that reflected on the attached draft summary document.

## FISCAL IMPACT

There is no direct fiscal impact as a consequence to Council's direction at this juncture. However, subsequent consideration of, and action on, the City's FY 2009/10 budget coupled with a four-year plan to balance revenues and expenditures will have significant fiscal implications for Redwood City.

  
Peter Ingram  
City Manager

## ATTACHMENTS

1. *AFFIRMATION OF CITY COUNCIL DIRECTION – DEVELOPING A BALANCED BUDGET – Draft Summary of Feb. 23, 2009 City Council Study Session*

**AFFIRMATION OF CITY COUNCIL DIRECTION**  
***DEVELOPING A BALANCED BUDGET***  
**DRAFT Summary of Feb. 23, 2009 City Council Study Session**

**GOAL STATEMENT**

We must balance the City's General Fund revenues and expenditures by Fiscal Year 2012/13 to achieve long-term sustainability.

**COUNCIL'S BASIC FISCAL ASSUMPTIONS FOR FY 2009/10**

1. The City's General Fund budget has an increasing structural deficit, which is being exacerbated by the current recession. Annual deficits are projected to range from \$4.3 to \$6.9 million through Fiscal Year 2011/2012 or 4.8% to 7.9% of annual revenues.
2. Property Tax growth: Adjusted down to 3% annually.
3. Sales Tax growth: Negative from FY 07/08 to FY 08/09, flat in FY 2009/10.
4. Hotel Tax growth: 10% decline in FY 08/09, and overall growth is expected to be flat in FY 09/10.
5. Development revenues: Updated to reflect current anticipated projects.
6. No effects of resolution of State budget or Federal stimulus on GF.
7. These assumptions are subject to change and refinement.

**DIRECTION FROM CITY COUNCIL**

1. Use reserves over four years to arrive at a sustainable, balanced GF budget, beginning with covering 100% of the deficit in FY 2008/09.
2. As a starting point, use reserves to cover 33%, 25%, and 10% of shortfalls in subsequent three fiscal years, and plan for no further use of reserves by 2012/13.
3. Retain flexibility in the level of reserves used, for response to opportunities.
4. Given the uncertainties ahead, Council would be most comfortable not going below 18% of annual GF revenues as the minimum reserve level.
5. Discuss amount of subvention with Port Commission.
6. Bring Council Finance Committee recommendation(s) for revenue enhancements forward with recommended budget: Start with proposed business license tax increase.
7. Explore modification of existing funding plan for retiree health benefits.
8. Provide sufficient expenditure (reduction) options and information for Council consideration.
9. Make recommendations for reductions with room for flexibility and further discussion.
10. Provide report on Parking Fund expenditures and operational modifications / efficiencies (via the Council Downtown Committee).
11. Explore long-term opportunities for shared services / resources with other cities.
12. Consider enterprise fund budgets in same light as General Fund: Remember that city utility bills will be affected by rising costs of regional water supply and waste water treatment.

13. Communicate potential impacts to services to the community – ask for help. “We are all in it together.”

**DECISION-MAKING CRITERIA / INTERESTS - COUNCIL**

1. Shared, fair, and equitable sacrifices across the organization.
2. As strategic plan is fully implemented, consider expenditure / service reductions in alignment with strategic initiatives.
3. Consider sun-setting initiatives as needed to meet top priorities and respond to resource limitations.
4. Attention to service reductions that affect the “front line” relationships with residents.
5. Minimize cuts to services and programs that are preventive: Short-term cuts that will create long-term problems.
6. Alignment of resources (or re-alignments) should keep neighborhood satisfaction levels as high as possible.
7. Leverage as much as we can with partner organizations.
8. Seek out consolidation of services and/or shared services internally and externally (Opportunities may take several years to provide budget benefits).