

Council Retreat 2011 and Beyond

April 28, 2010

Agenda

- ❑ Review Notes from March 26 Retreat
- ❑ Refresh on Ground Rules and objectives for today
- ❑ Topics for future council retreats
- ❑ 2011 Forecast – testing assumptions
- ❑ Update on Community Outreach
- ❑ Continuum of choices
 - Revenues
 - Cost Reduction Strategies
- ❑ Compensation Discussion

Refresh Ground Rules

- **Devices at breaks only**
- **Listen to understand**
- **Be here**
- **Differing views are welcome**
- **Stay on topic**
- **Have fun!!!**

Today's Objectives

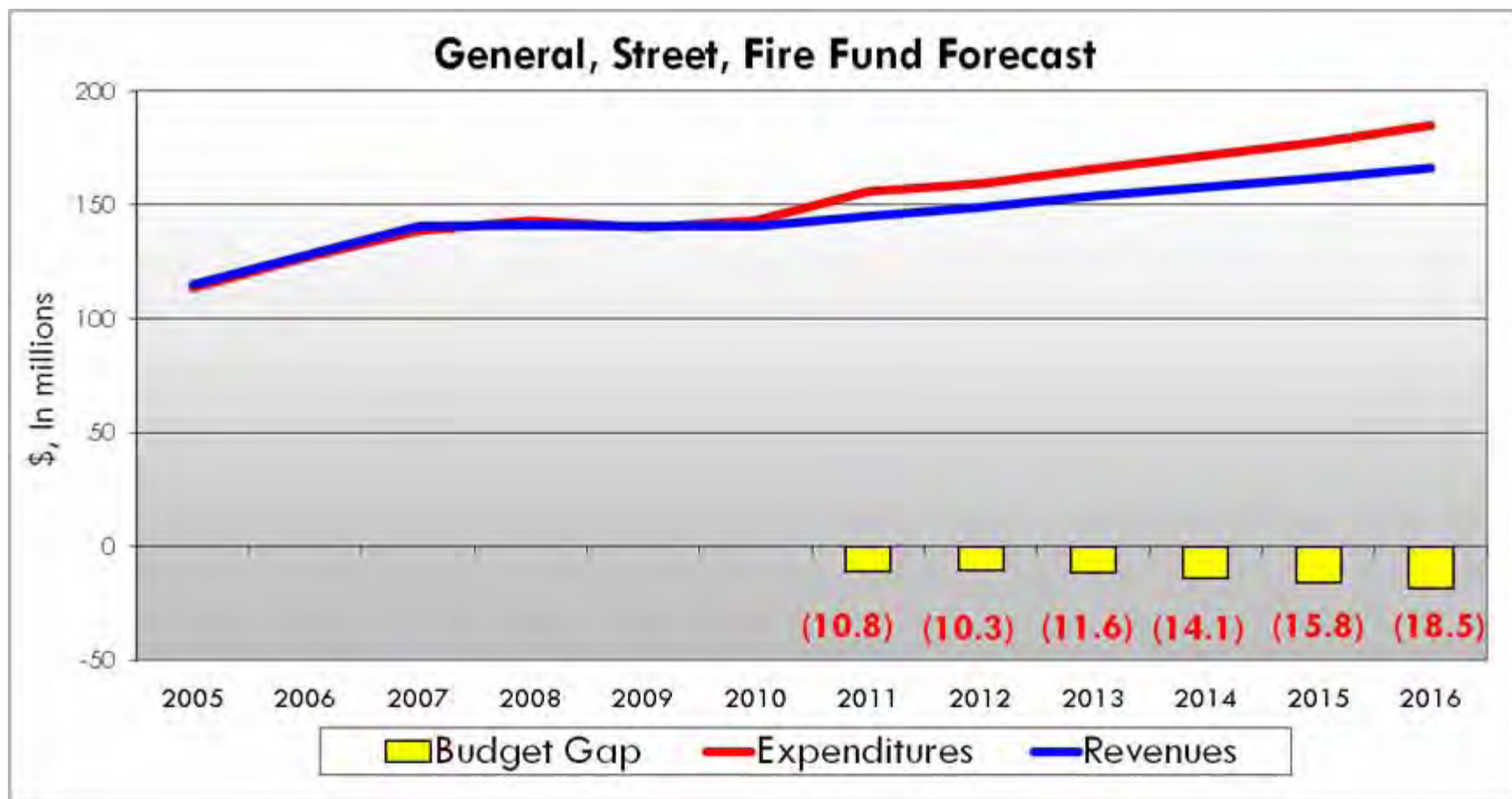
- **Get a sense of Council's views on:**
 - **Sensitivity to Revenue increases**
 - **Compensation Policy**

Future Retreat Topics

- **April 30**
 - Alternative Service Delivery Systems
 - Capital needs & funding
- **May 21**
 - Priorities of Government
 - Parking lot items
 - City Manager recommended directions
 - Wrap up

Forecast: Testing Assumptions

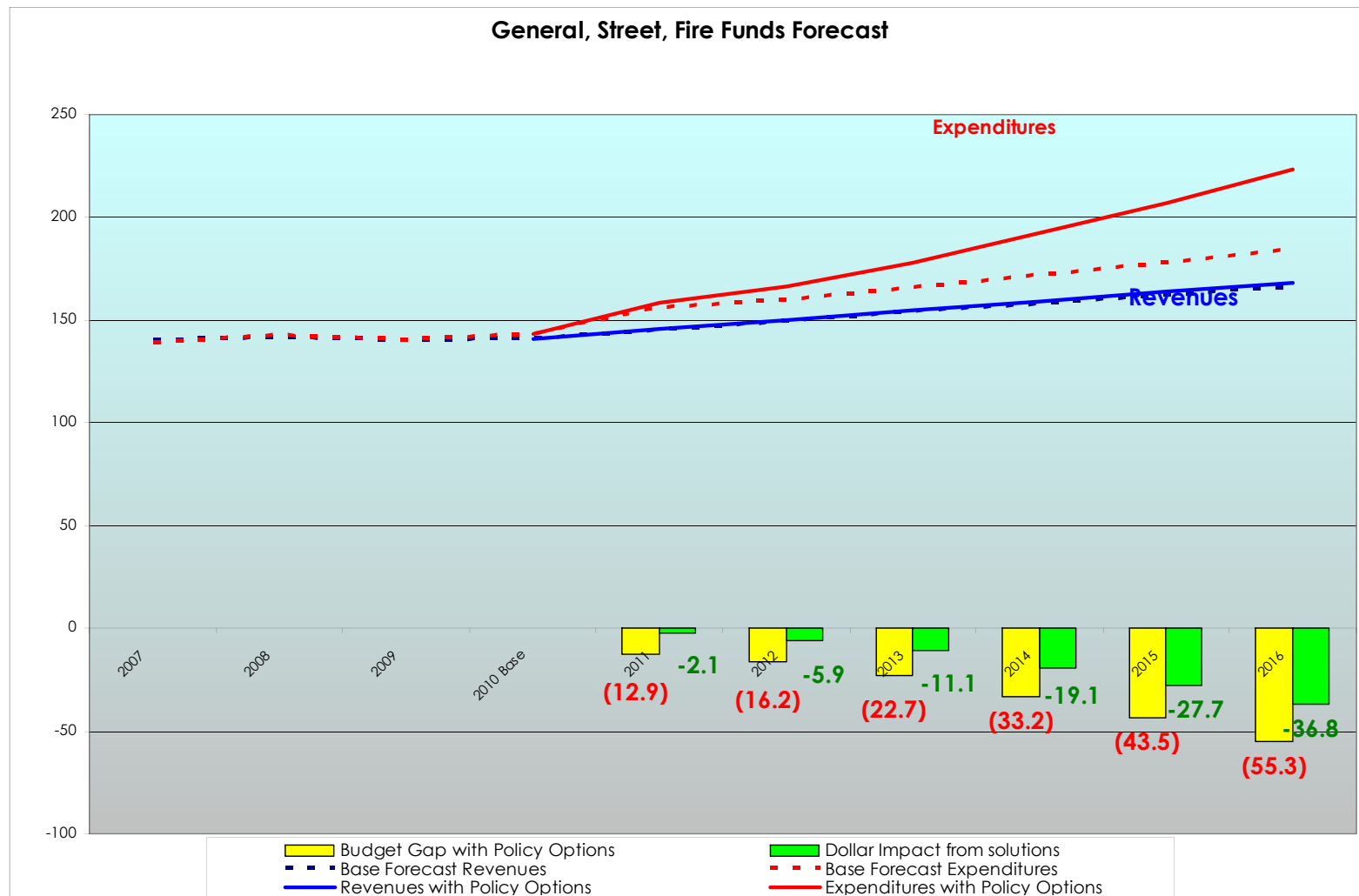
General, Street, Fire Fund Forecast 2011-2016



Structural Deficit: Testing Forecast Assumptions

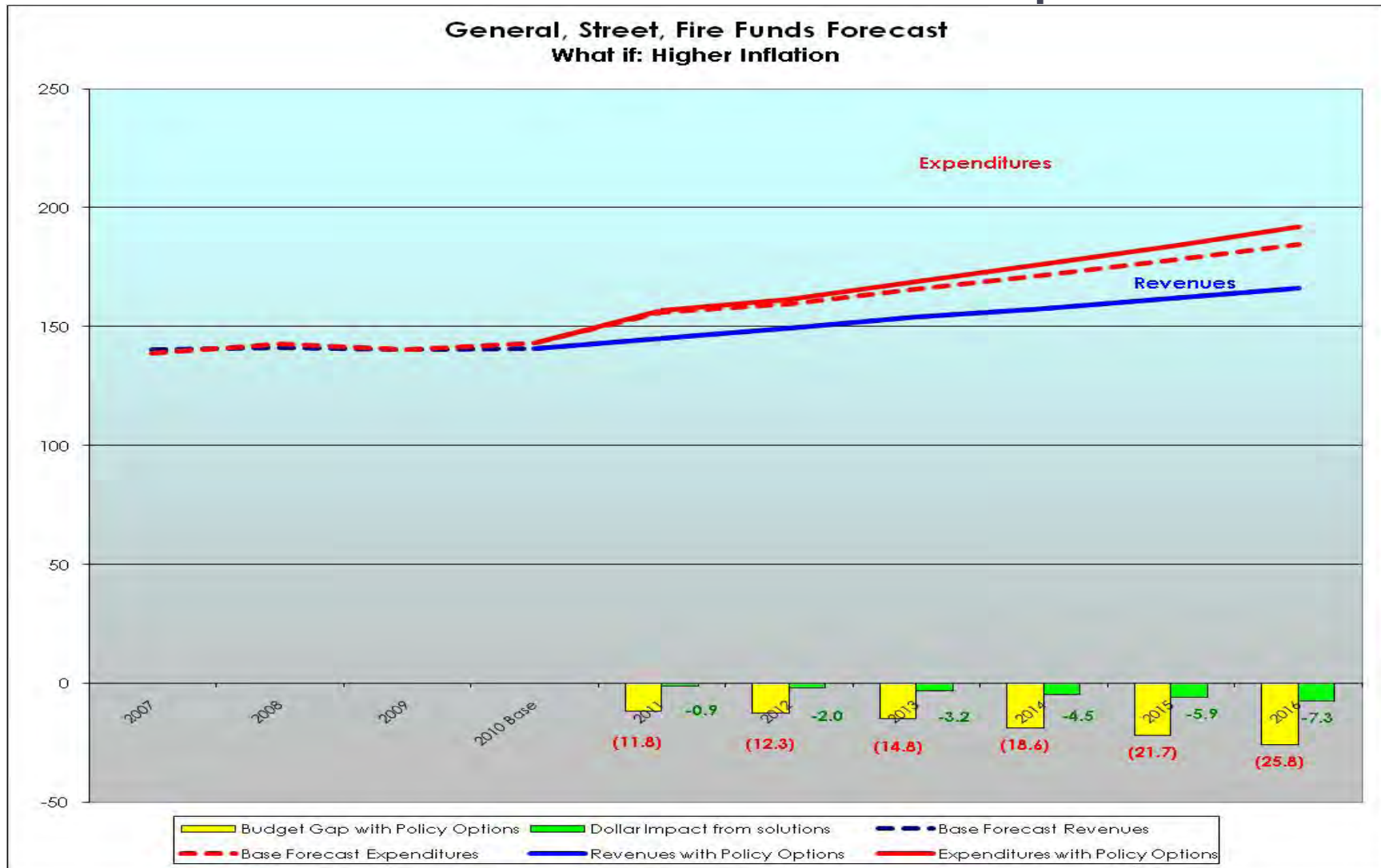
- Impact on the deficit from a significantly higher than anticipated inflation
- Impact on the deficit from FTE growth consistent with population growth

What If: Higher Inflation



- Inflation on the chart is at 3% in 2011, 4% in 2012, 5% in 2013, 6% in 2014-16

What If: FTEs Increased with Population



- Population increase is forecasted at 1.2% annually
- 58 new added FTEs by 2016: \$7.3 mil

Forecast Review

□ Key takeaways:

- Forecast assumptions are consistent with historic forecasting methodology
- Any reasonable adjustments to key assumptions regarding inflation or staffing only increase the deficit
- Current forecast is a dynamic model that will be reviewed and updated as economic conditions change

Update on Community Outreach

Community Involvement to date

- ❑ Community survey
- ❑ Web based community survey
- ❑ Focus groups (2 employee, 2 community)

Community survey: Financial conclusions

- ❑ Citizens will very rarely, even in excellent economic conditions, support taxing themselves in a survey.
- ❑ Residents are not saying “no taxes”; they are saying “no taxes right now”. They are recommending tools that are appropriate in their view to use after recovery is established
- ❑ The tools that are supported and their relative order are consistent across all forms of query to the public
- ❑ There are a large number of people who are neither negative nor positive; they are undecided or don't want to decide

Community survey: Neutral = opportunity

2010 Community Survey

Fiscal responses

	Positive	Neutral	Negative
Use voter approved taxes	54%	29%	17%
Eliminate programs or services	36%	38%	27%
Raise general taxes	29%	32%	39%
Reduce employee benefits or salary	27%	28%	45%
Decrease all service levels	14%	29%	57%

Remaining community involvement planned

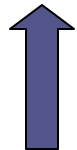
- ❑ Complete a total of ten focus groups by mid-May
 - ❑ Includes two large sessions
- ❑ May add focus group “drill down” questions to web
- ❑ Complete second and final month of web survey by mid-May
- ❑ Possible feedback with other tools but all major feedback will be complete by July

Focus group drill down questions added

- Why is reducing or cutting employee benefits or pay rated very low, below most other options?
- People say they are not happy with the direction the City of Vancouver is heading. What does that mean to you?
- People indicate the City should help with job creation. What should the City's role be?
- Compared to other cities, how efficient and “lean” do you think the City of Vancouver is?
- People say they feel less safe now when walking at night in their neighborhood than 2 years ago. Why?

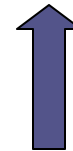
Continuum of Choices

Continuum of Potential Solutions



100% Reliance on
Reductions

- Compensation Reduction
- Program/FTE Reductions



100% Reliance
on New
Revenues

- Councilmanic
- Voted

Continuum of Potential Solutions



Revenues for Operating Budget

<u>Source</u>	2011 City Share
<u>Taxes-Voter Approval Required</u>	
Property Taxes	
EMS levy (60% voter approval; EMS only)	\$6,800,000
Levy Lid Lift (50% voter approval required)	\$13,600,000
Utility Tax	
Business Utility Tax -- Above 6% (50% voter approval)	\$2,850,000
Eliminate threshold currently in place on utility tax on Electricity	\$365,000
<u>Taxes-Council Authority</u>	
Business & Occupation Tax	
Re-establish B&O tax at 1992 rates: \$1/\$1,000	\$9,900,000
Utility Tax	
Increase utility tax rate on Water, Sewer, Drainage and Solid Waste	\$840,000
Cable Utility Tax	\$360,000
Other Taxes	
Commercial Parking Tax*	\$200,000
Admissions Tax	\$510,000
Business License Surcharge	\$2,000,000
<u>Fees</u>	
Recreation	
Increase recovery target by 10%	\$970,000
Parking	
Increase Parking Meter rates by \$0.1/hr	\$300,000

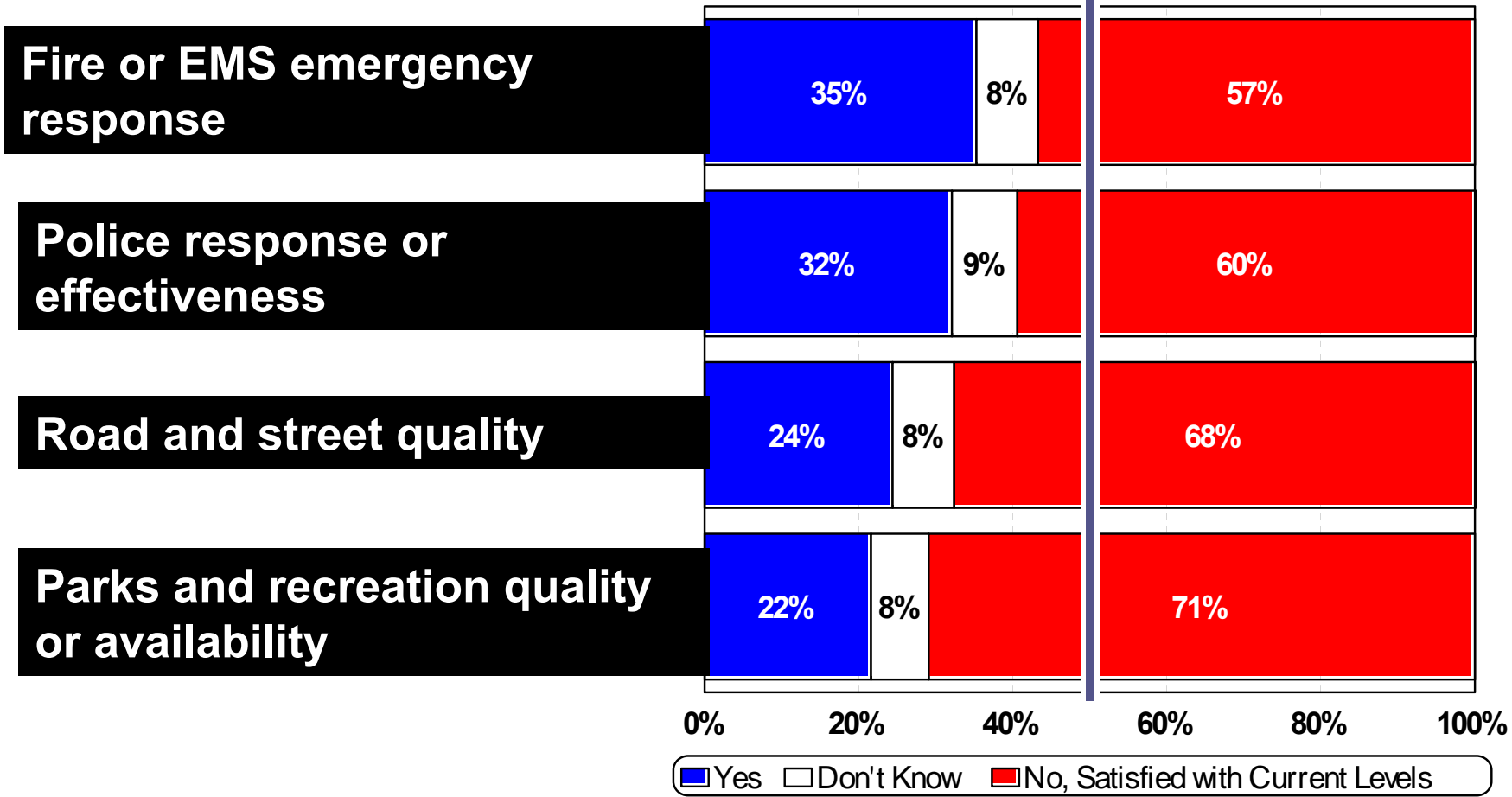
Revenues for Operating Budget

- ❑ The community provided clear feedback through the Community survey and web survey that:
 - It might be supportive of a tax increase for a specific limited purpose to maintain, not enhance, services
 - Now is not the right time due to the impacts of recession at the local level
- ❑ The feedback is consistent with City Manager's recommendations related to the 2009-10 Budget and the voting environment (I-1033, etc.) and recent Council action

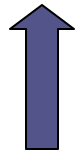
Would respondents personally be willing to pay more in taxes to improve the following services?

by percentage of respondents

No support over 51%

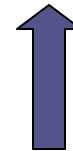


Continuum of Potential Solutions



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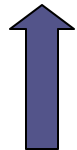


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- Councilmanic
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Let's Take a Break

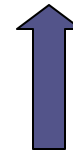
Continuum of Potential Solutions



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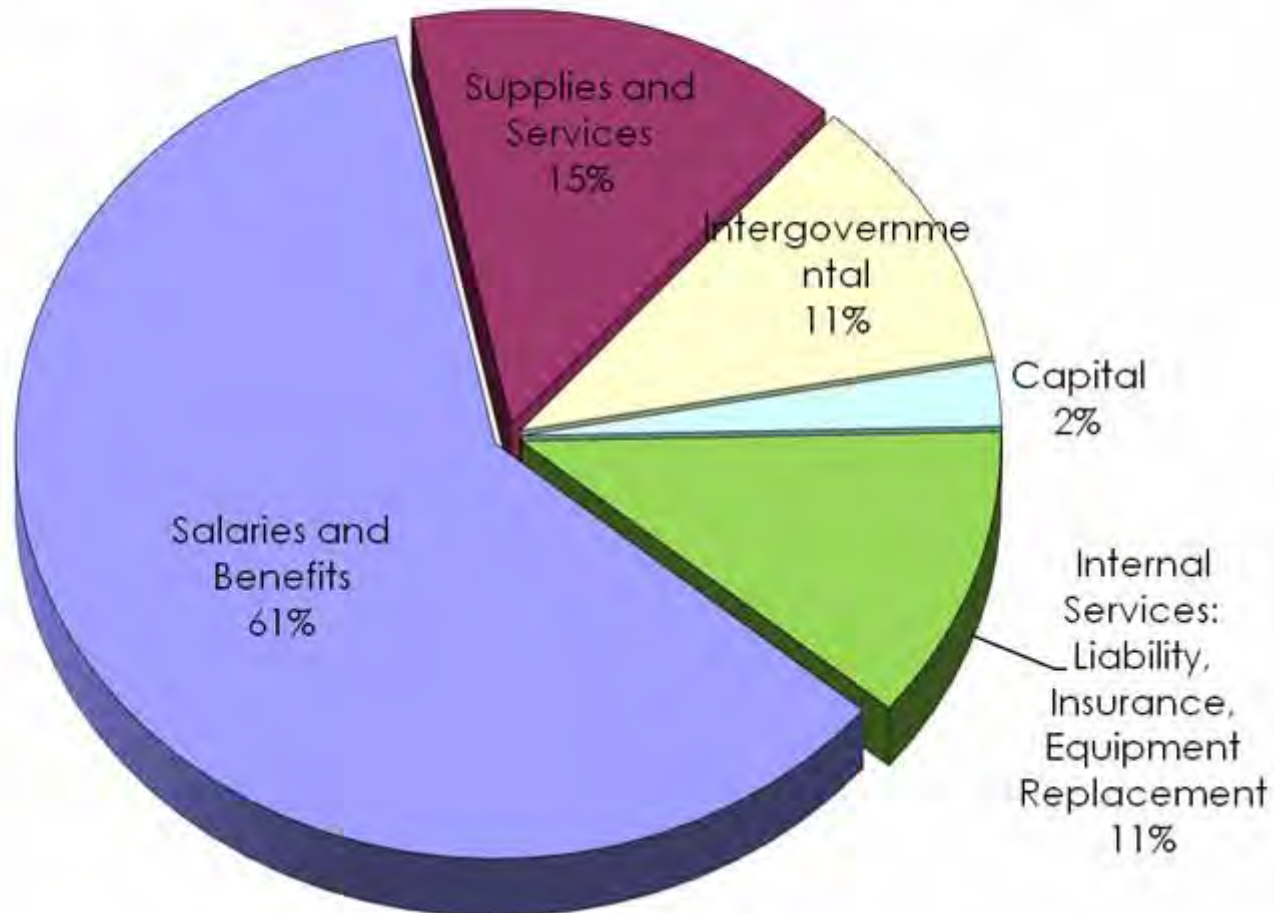
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General, Street, Fire Funds Expenditures

General, Street, Fire Funds Discretionary Spending by Category

(Transfers to Fire, Street and Debt are excluded)



City Workforce

- Total current employees – 1,047 (1034.25 FTE equivalent)*
- Total union – 737 (in 10 bargaining units)
 - 3 contracts are under negotiation
 - 6 expire at the end of 2010
 - One expires at the end of 2011
 - One new bargaining unit under formation
- Total non-union – 310 (includes 59 managers)

Compensation: Wages

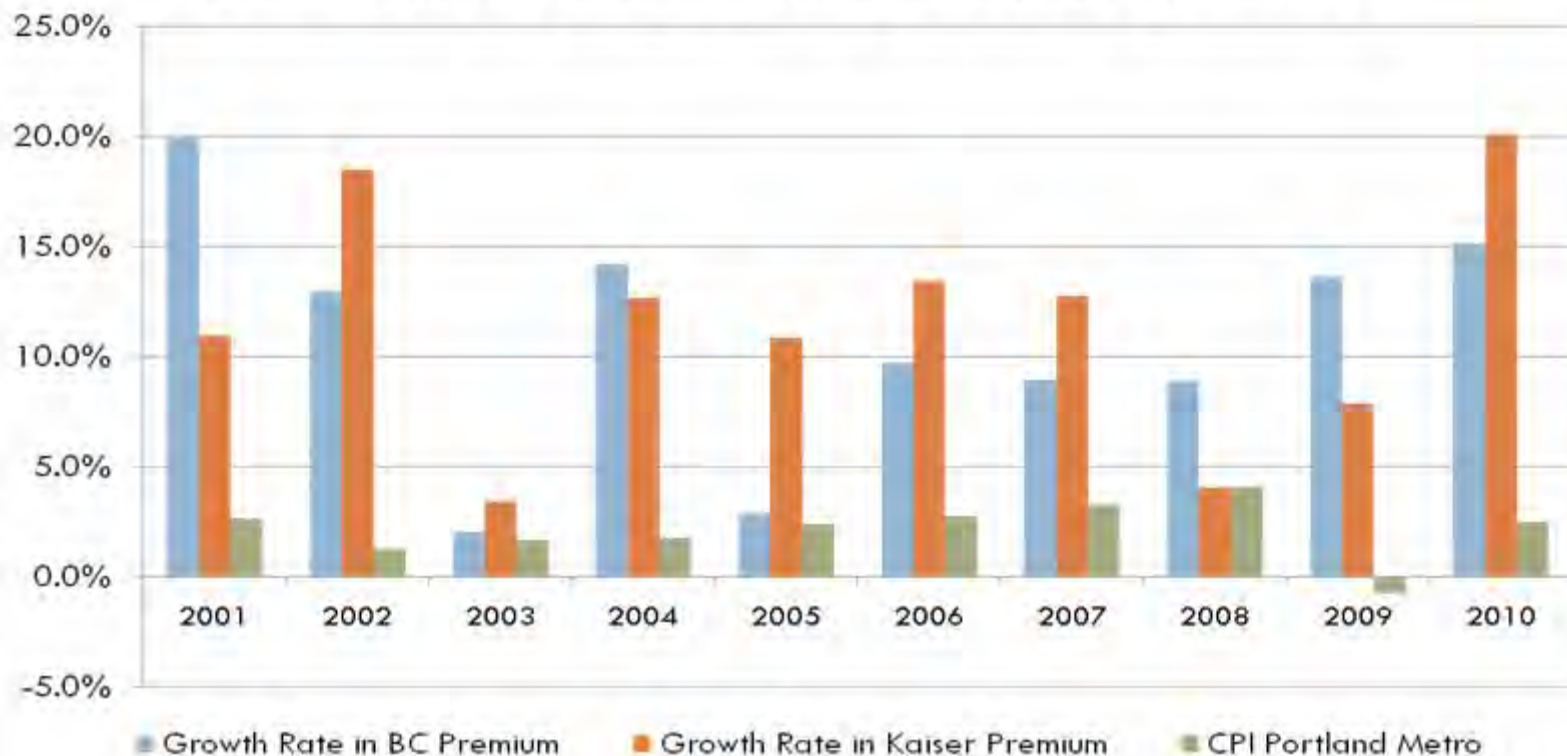
- Compensation elements within City's influence:
 - Cost of Living Increases (COLAs)
 - Historically indexed to CPI
 - Differs by labor group
 - Bargained
 - Step Increases
 - Differ by labor group
 - Bargained
 - Market Studies & Adjustments
 - Performed every two years
 - Goal is to ensure City remains competitive in labor market
 - Current policy: 95% of median for non public safety positions and 100% for public safety positions
 - Bargained

Compensation: Health Insurance

□ Medical and Dental Insurance

- Driven by experience (usage)
- In 2008 employees started paying a portion of medical premiums for dependents: 10-15%
- Generous plan compared to surrounding jurisdictions (per Insurance Broker)

Annual Growth Rate in Health Insurance Premiums



Continuum of Compensation Based Cost Reductions



Reduce workforce:

- Fewer FTEs with competitive compensation
- Fewer programs
- Services done well
- Lower turnover
- Higher quality workforce



Reduce compensation:

- Larger number of FTEs, but compensated less competitively
- Larger variety of declining quality of services
- Higher turnover rates
- Higher risk exposure
- Lower quality workforce

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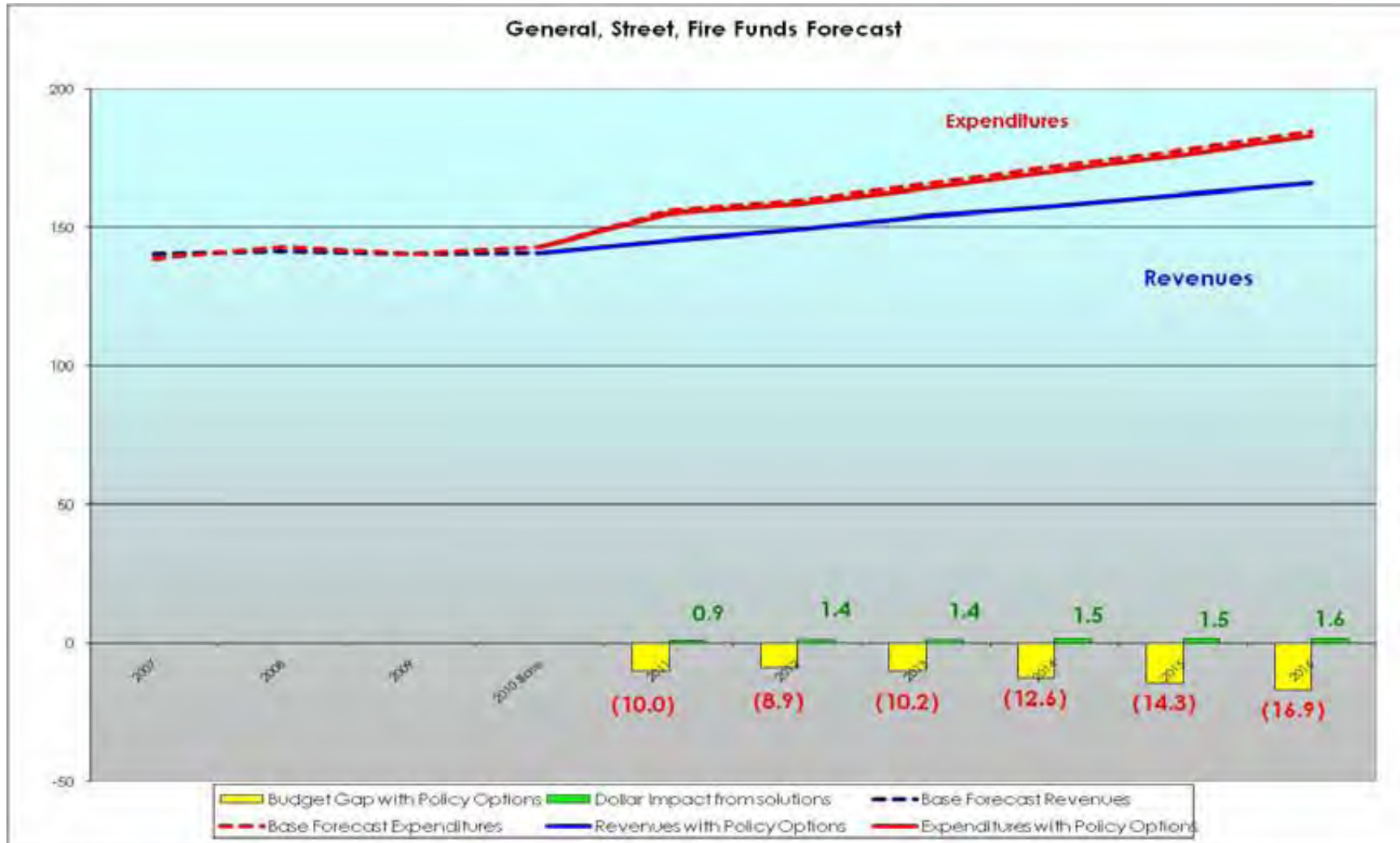
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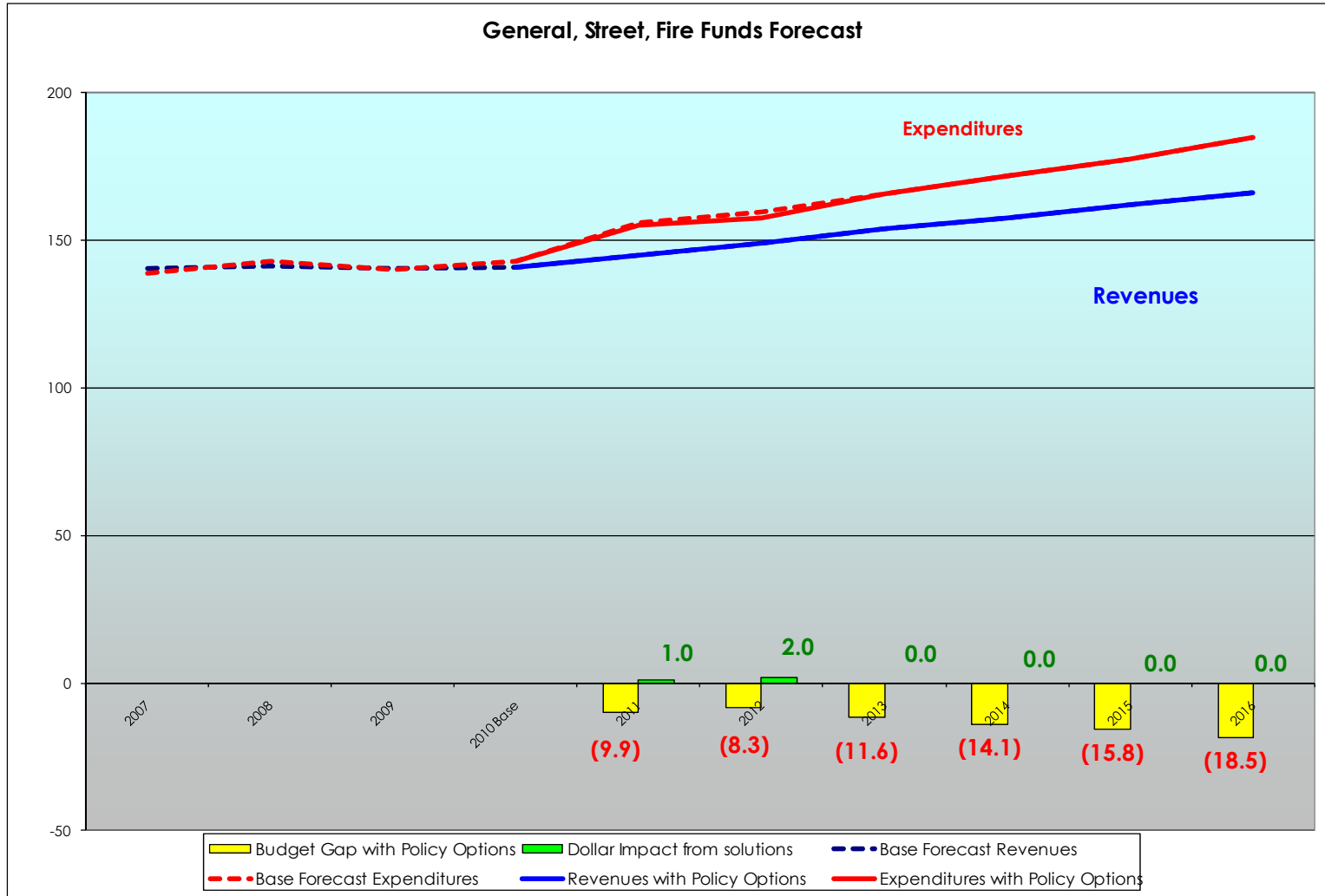
Compensation: Possible Scenarios

- **Scenario 1: No COLAs in 2011-12**
- **Scenario 2: No Steps/Merit for 2011-12**
- **Scenario 3: No Market Adjustment in 2011-12**
- **Scenario 4: Changes in Health Insurance**

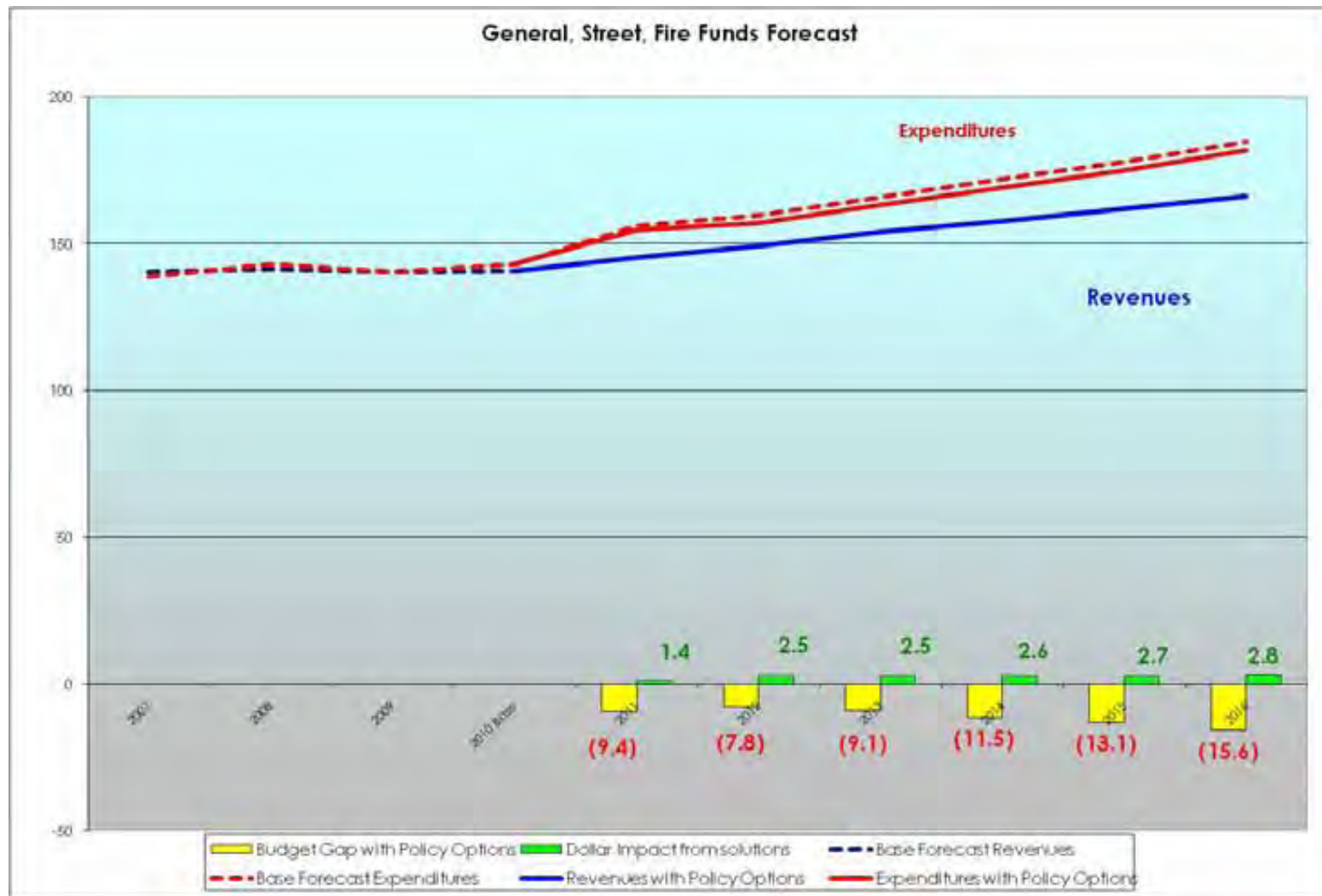
Scenario 1: Financial Impact of NO COLAs for all FTEs in 2011-12 (GSF Assume no market adj. in the following years)



Scenario 2: No Steps in 2011-12



Scenario 3: Financial Impact of No Market Adjustment in 2011-12 for 2009-10



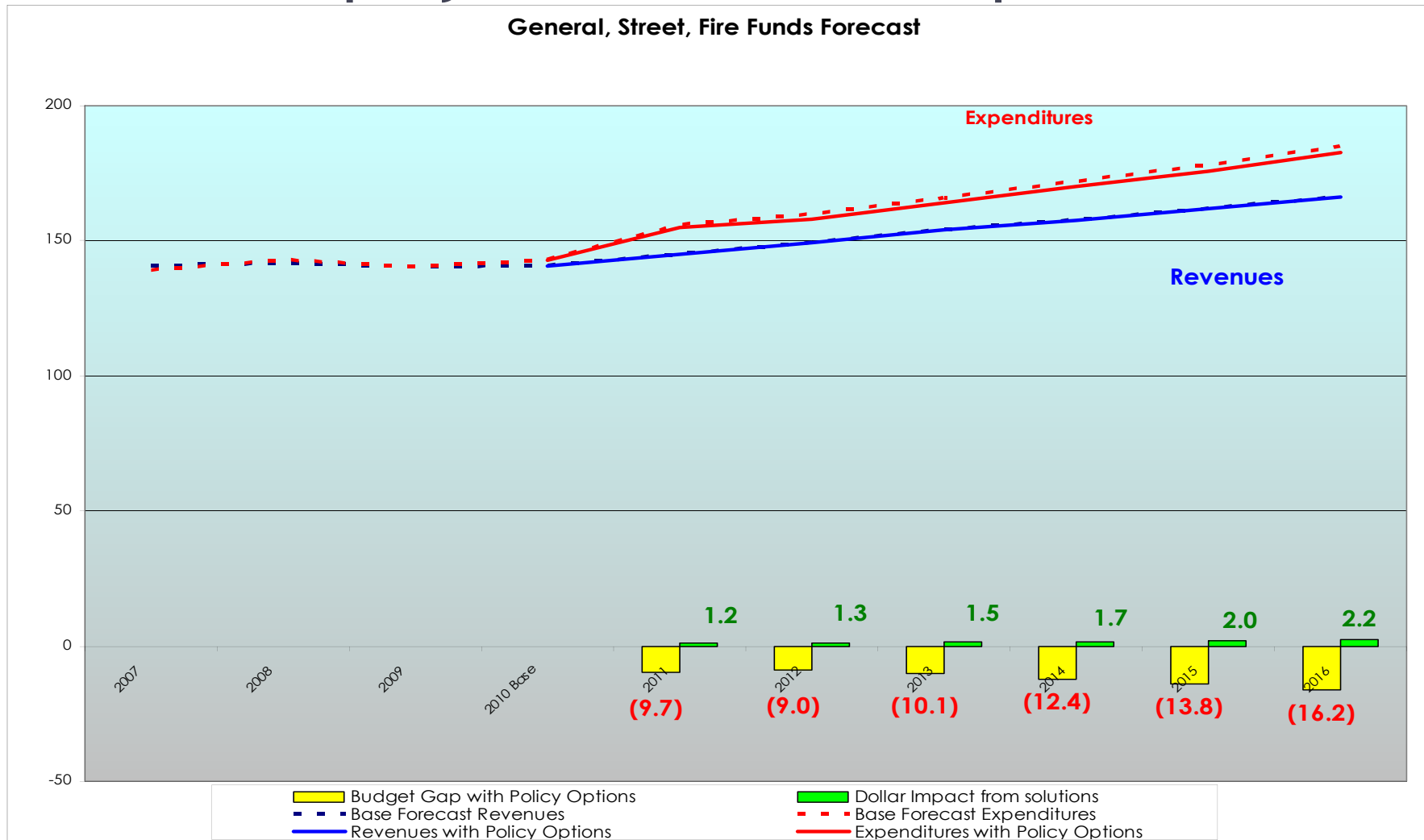
Compensation: Benefits

- **Major Drivers:**
 - Health Insurance (determined locally, BUT is subject to bargaining)
 - PERS (minimal control at the local level)

Compensation: Health Insurance Cost- Reducing Options

- Significant plan re-design to reduce the cost of coverage
- Significant increase in employee contributions towards the cost of their and dependents coverage
- Move to a Health Savings Account-type plan
 - High deductible
 - Savings are accumulating if not spent
- Combination of the above options

Scenario 4: Savings if Premium Increases by 10% for Employees and Their Dependents



Is Compensation Growth Matching Growth in GF Taxes Possible?

- **NO, unless major changes are made in the Health Insurance cost or Wages:**
 - In 2011-12 the anticipated growth in PERS and Health Insurance Cost exceed the anticipated new tax revenue.

Continuum of Compensation Based Cost Reductions



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Summary from Today

Questions