

2011-2012 Budget Update

City of Vancouver Council Retreat ♦ July 12, 2010

Agenda

2

- Review of Budget History 2001-2008
- Local Economic Conditions/City Budget Actions 2009-2010
- General, Street, Fire Spring Forecast 2011-16
 - ▣ City Expenditure and Revenue Drivers
 - ▣ Budget Assumptions
- City Manager's Preliminary Budget Overview
- Next Steps

Review of Budget History 2001-2010

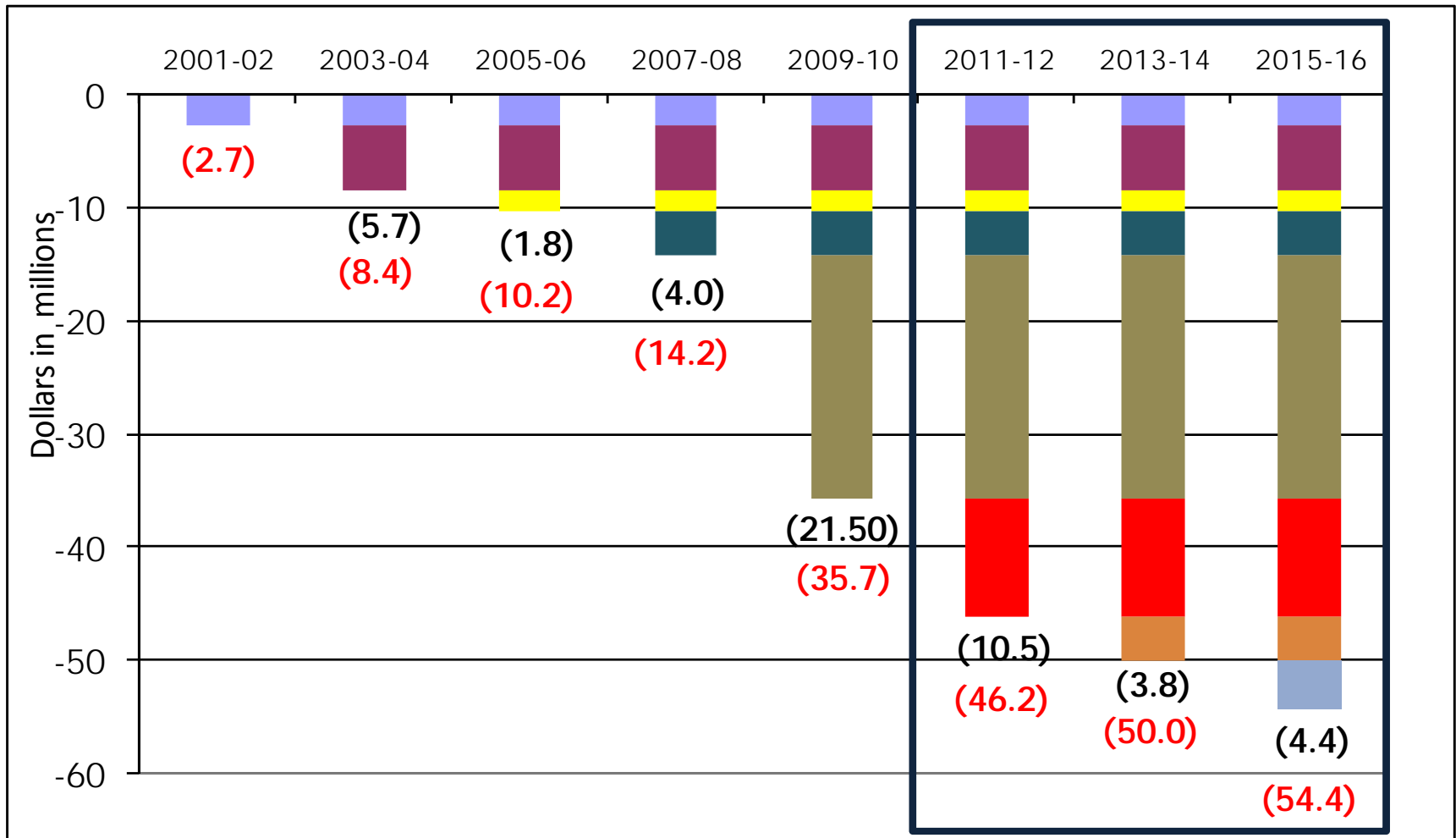
Financial Summary

4

- **The City continues to manage through critical financial conditions, exacerbated by the current deep recession**
 - Operating balances remain sufficient
 - Emergency reserve is maintained at policy level
 - Bond rating remains high
 - Audits continue to be “clean”
 - Proactive streamlining and significant reductions have been made in services and programs

Past and Projected Annual Deficits in the General, Street and Fire Fund

5

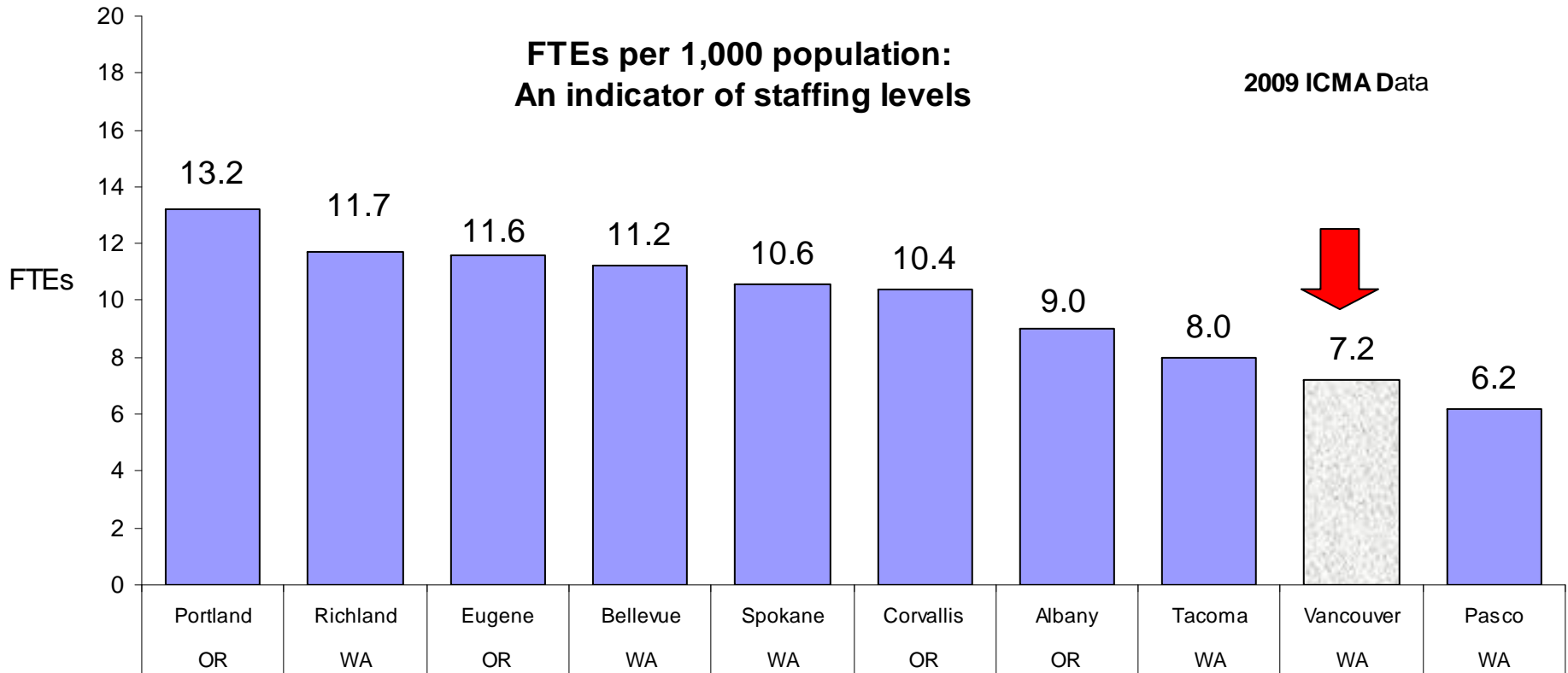


Total City FTEs per 1,000 Population

6

**FTEs per 1,000 population:
An indicator of staffing levels**

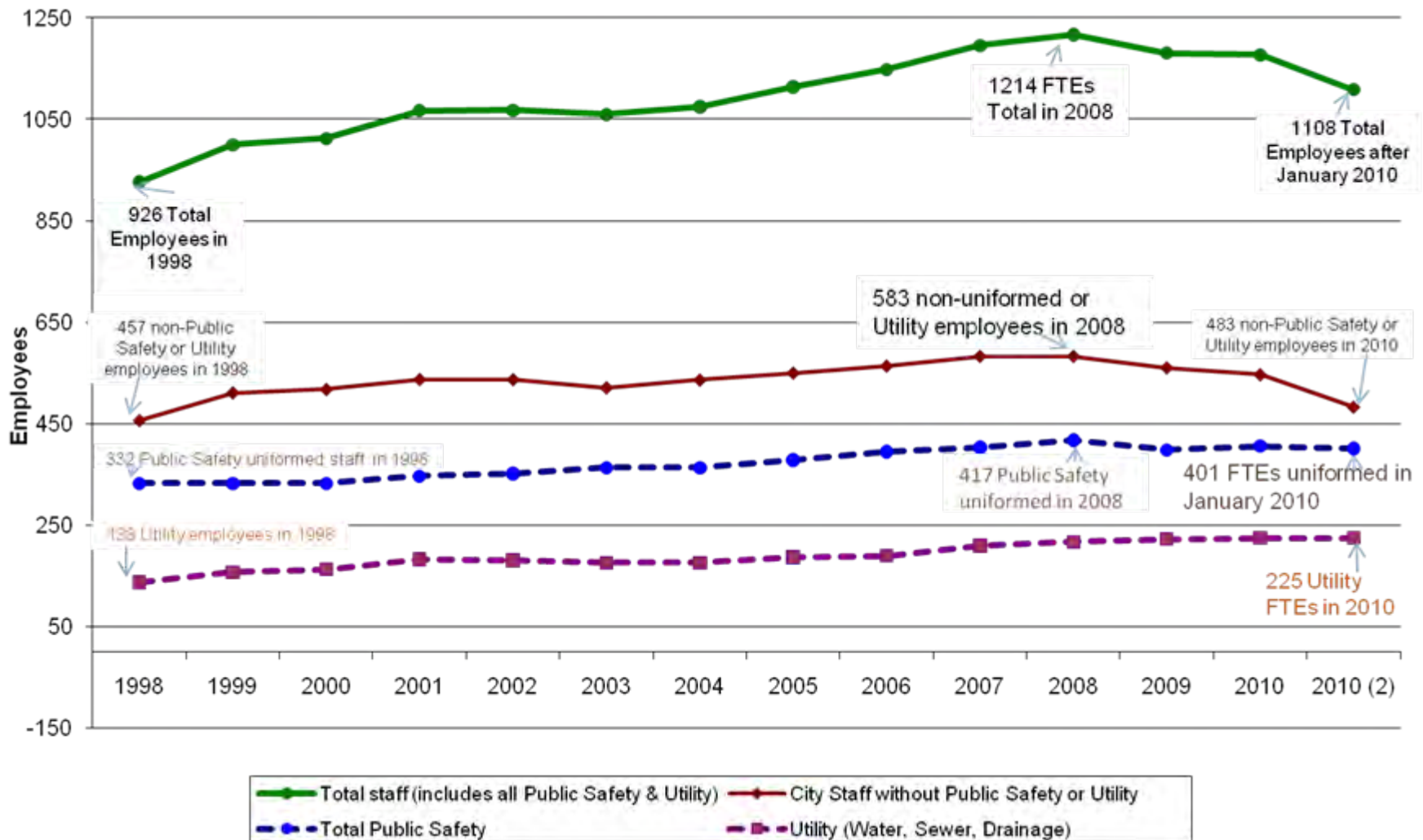
2009 ICMA Data



Vancouver Staffing by Area

7

Vancouver City Staffing Over Time



City Actions: Expenditures

8

- By law, the City must have a balanced budget and live within its means
 - The City has cut \$14.2 million in programs and positions to balance its General, Street, and Fire operating budgets.
 - Priorities have been consistently focused on maintaining police, fire, recreation and transportation services, including operating and capital
 - Health care premium sharing established with employees
 - Costs continue to increase at a faster rate than the revenues – the Structural Deficit

Budget Actions 2009-10 Summary

9

9

- Total annual gap addressed during the 2009-10 budget: **\$21.5 mil**
 - 2009-2010 Adoption Budget \$ 9 mil
 - 2009 Spring Supplemental \$ 6.5 mil
 - 2010 January Reductions \$ 6 mil
- Revenue Increases \$ 4.2 mil
- Expenditure Reductions \$17.3 mil

Budget Actions 2009-10 Summary

10

□ Position reductions

■ General, Street, Fire funds

■ Eliminated 93 FTEs

■ Frozen 24 FTEs

■ Other Funds

■ Eliminated 16 FTEs

Impact on Service Levels

11

- Some services are **no longer provided** by the City:
 - Public walk-in services at East Precinct and Vancouver Police Headquarters
 - Vancouver emergency preparedness coordination, greater reliance on CRESA as result
 - Vancouver sustainability coordination, less external outreach
 - Crime prevention education service
 - Comprehensive Plan and Code amendment annual review
 - Grounds maintenance – two corrections crews eliminated
 - Proactive annexation program

Impact on Service Levels


12

- **Timeliness** of response to citizens and **declining** service levels:
 - Phone-generated and in-person police reports for lower-level crimes
 - Land use, Fire Marshal and transportation reviews for proposed development
 - Code enforcement case follow-up
 - Median and landscaping maintenance & irrigation
 - Neighborhood traffic calming
 - Internal services: Finance, Procurement, Risk (confirmed by the most recent support services survey)

Expenditure Controls in Place

13

- **Additional austerity controls 2008-present:**
 - Position hiring freeze in all funds
 - Freeze on all non-essential travel and training
 - No COLAs for management, non-union employees, and all but one union in 2009, several unions in 2010
 - Non-union and management – contribution increase for medical coverage of dependents at 5% now up to 15%
 - Scrutiny of professional services contracts and bringing them in-house, where possible and more economical
 - Freeze on merit increases for management
 - Voluntary furloughs implemented



2011-16 General, Street, Fire Fund Forecast

MAJOR REVENUE AND EXPENDITURE ASSUMPTIONS

PROJECTED BUDGET GAPS FOR 2011-16

2011-16 Fiscal Challenge

15

- **\$10 million annual operating budget deficit in 2011, growing to \$18.5 million by 2016**
- **Forecast assumes economic recovery taking place in 2011 and 2012, however...**
 - ▣ **Existing revenues growing at an average rate of 2.8% annually**
 - ▣ **Existing expenditures growing at an average rate of 4.4% per year**

Major Revenue Drivers/Options

16

- Citizen Initiatives
- Economic Impacts
 - ▣ Consumption changes
- Council Actions
 - ▣ Tax rates
 - ▣ Cost recovery targets (DRS, Recreation)
 - ▣ New sources of revenue
 - Councilmanic
 - Voted

2011-2016 Revenue Forecast

17

□ Revenue Assumptions:

- No new taxes

- Modest economic recovery is anticipated to be under way by 2012

Existing non-restricted revenues
projected to grow 2.7% - 4.9%
annually

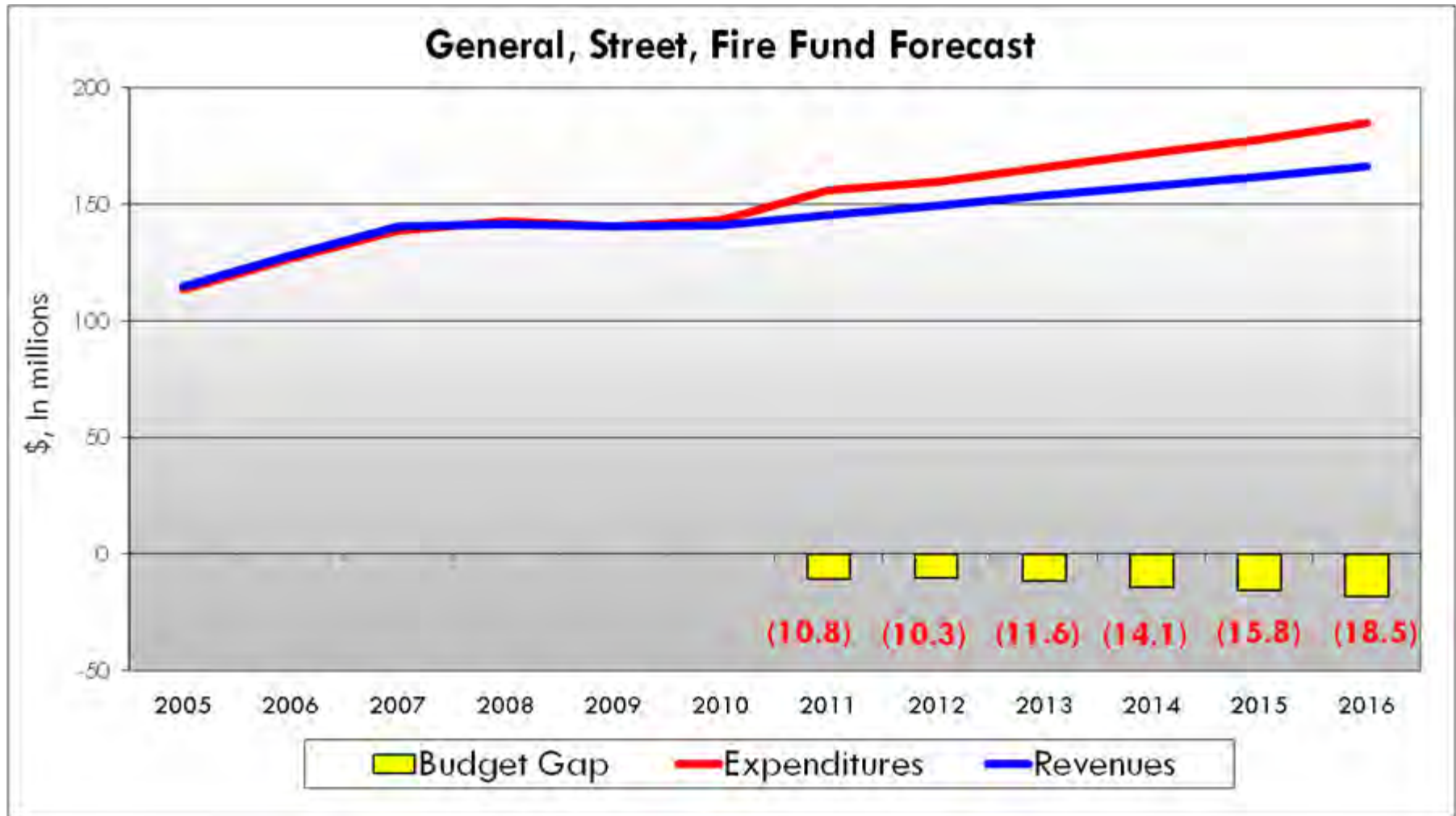
Total Compensation Structure

18

- **Forecast Assumptions:**
 - **NO new unfunded FTEs**
 - **Steps and COLAs** per contracts
 - **Market adjustment** to equity with comparable agencies
 - **Health insurance** increase (14% in 2011-12, trend to market in 2013-2016)
 - **PERS** rate increase per State of Washington Actuary
- **Growth rate of salary and benefits in 2011-16 is projected to range between 4.5% to 6.9% annually without adding any employees**

General, Street, Fire Fund Forecast 2011-2016

19



Review of Council Policy Direction from Retreats

Policy Direction Summary

21

- Priorities of Government framework
 - Buying **results or outcomes,**
 - That **citizens value most,**
 - Within our **available means**
 - Maintain **diverse array of City Services**

Policy Direction Summary

22

□ Revenues

- No New Taxes for 2011-12

□ Compensation

- Strive to remain wage competitive over the long term, within City's available resources
- Pursue reforms to reduce/contain costs on benefits, primarily in health care

Policy Direction Summary

23

- **Capital**
 - ▣ Except for existing planned and funded capital, major transportation and Parks capital programs will ramp down or be eliminated in next biennium
- **Strategic reductions to minimize long-term costs**
 - ▣ Asset and core workforce preservation
- **Review cost recovery goals**

Policy Direction Summary

24

□ **Explore Voter Engagement**

- All future anticipated revenue and service delivery alternatives require voter approval
- Consider governance and service delivery issues in 2011-12
 - Local vs. regional governance
 - Special purpose vs. general purpose
- Develop a 2- to 4-year strategy in 2011
 - Transportation, Mobility & Connectivity
 - Safe & Prepared Community
 - Healthy, Livable, Sustainable (Parks & Recreation)

City Manager's Preliminary Budget Proposal: Framework

Overview of 2011-12 Deficit Approach

26

- **Forecasted deficit** ~ **\$10 m**
- **Managing down the deficit**
 - Streamlining & Efficiencies ~ \$0.7 m
 - Facility consolidation (target) ~ \$1.0 m
 - Health care restructuring (target) ~ \$1.1 m
 - Other fiscal restructuring (target) ~ \$0.5 m
- **Net Program Reductions** ~ **\$6.7 m to \$7.8 m**

Managing Down the Deficit

27

- Streamlining and Restructuring:
 - **Transportation Services** department eliminated, functions consolidated with Public Works and Community Development departments
 - **Development Review Services** functions consolidated into new Community Development department
 - **Media Services** eliminated as a separate department, functions to be refocused, become part of other areas
 - **Economic Development** department eliminated, consolidated with City Manager's Office
 - Four director positions eliminated, flattening the organization

City Manager's Preliminary Budget Framework

28

PROGRAM REDUCTIONS

\$6.7 - \$7.8 mil

- **Program reductions to reflect community priorities**
 - ▣ **Interconnected Community needs and priorities**
 - ▣ **Priorities by Strategic Commitment**
- **To address size of deficit remaining, significant, permanent and ongoing program reductions are required in all Strategic Commitments**
 - ▣ **Focus on buying higher priority results**
 - ▣ **Targeted reductions in lower priority areas**
 - ▣ **Long-term needs of the city and citizens in mind**

City Manager's Preliminary Budget Framework

29

- **Framework for reductions**
 - Strategic reductions sustainable over long-term
 - Preservation of core, high-priority City services
 - Stewardship of public resources
 - Consistency with the community priorities
 - Trained, skilled workforce
 - Asset preservation
 - Proactive risk mitigation
 - Regulatory compliance

City Manager's Preliminary Budget Framework

30

□ Reforms

□ Service delivery

- Explore contracting out/privatizing where effective
- Evaluate opportunities to partner with not-for-profit sector
- Empower and assist citizens to provide needs/wants at neighborhood level
- Consider targeted reduction in services or hours

□ Compensation

- Position to remain wage competitive in long term
- Seek more cost savings primarily through benefit reforms



Budget Reductions: Methodology

Methodology Overview

32

- Minimize job loss and service impacts
- Strategic, NOT across-the-board reductions
- Strategic Commitments of greater priority will see LOWER percentage reduction compared with allocated general resources
 - ▣ Consistent with general community and stakeholders' feedback and values in Horizons
 - ▣ Consistent with Strategic Commitments prioritization

2010 City of Vancouver DirectionFinder Importance-Satisfaction Assessment Matrix

-Overall-

33

Exceeds Expectations

mean importance

Meets Expectations

Lower importance but
high satisfaction –
possible
“resource imbalance”

Higher Importance
and Higher
Satisfaction –
balanced resources

Lower Importance and
Lower Satisfaction –
balanced resources

Higher importance but
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possible
“resource imbalance”

Meets Expectations

Importance
Rating

Doesn't Meet Expectations

Satisfaction Rating

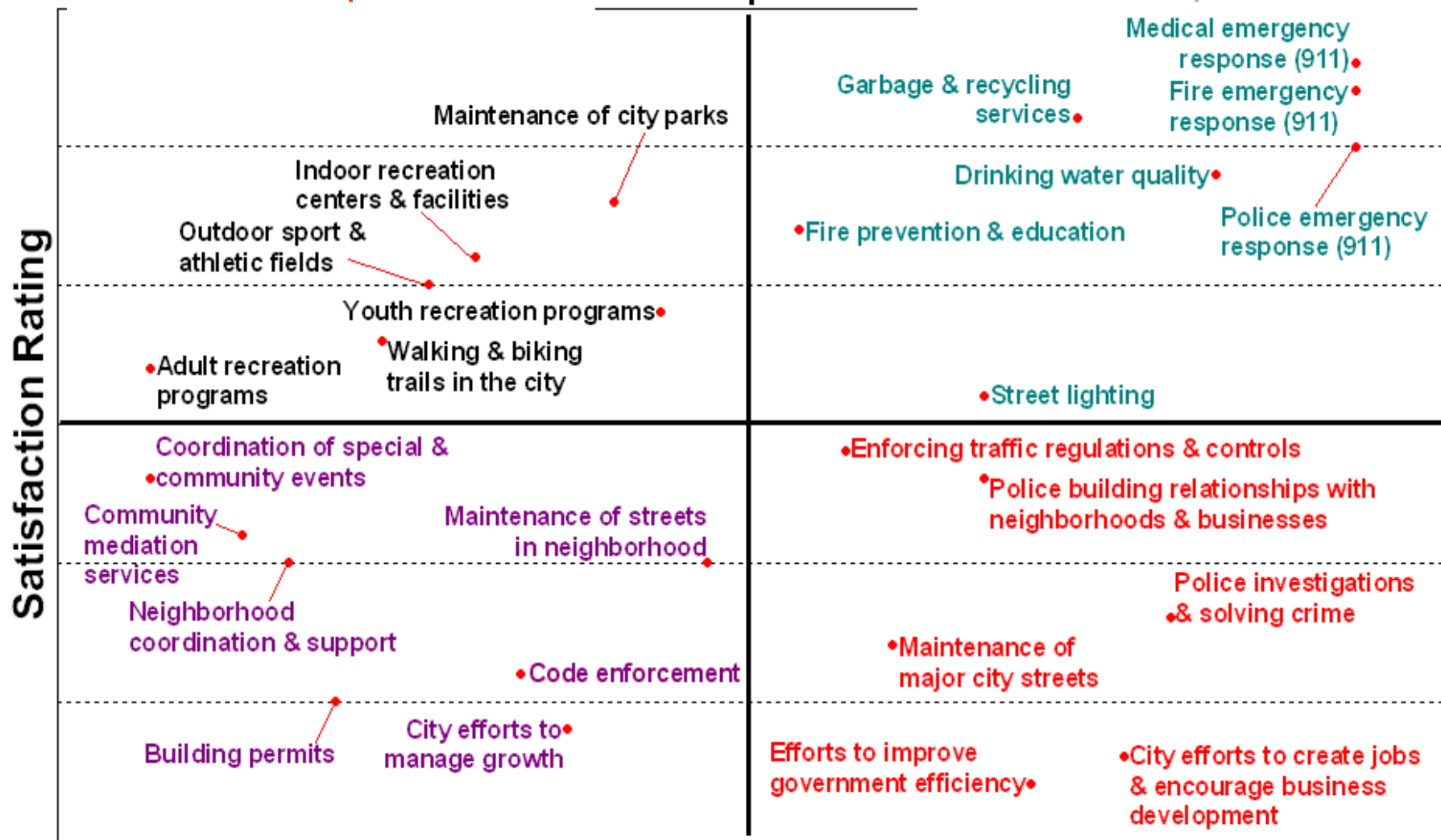
2010 City of Vancouver DirectionFinder Importance-Satisfaction Assessment Matrix

-Overall-

Exceeds Expectations

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Meets Expectations



Meets Expectations

Importance Rating

Doesn't Meet Expectations

Major Community Engagement Takeaways

34

- Community feels very safe overall, but people are concerned about declining quality of life
- People are overall satisfied with most services, so far
- The City is perceived as efficient
- Community shows little to no tolerance for taxes now – If considered, prefer vote as a later date
- Safe & Prepared Community remains a high priority, but that means more to the community than simply Fire, EMS & Police response

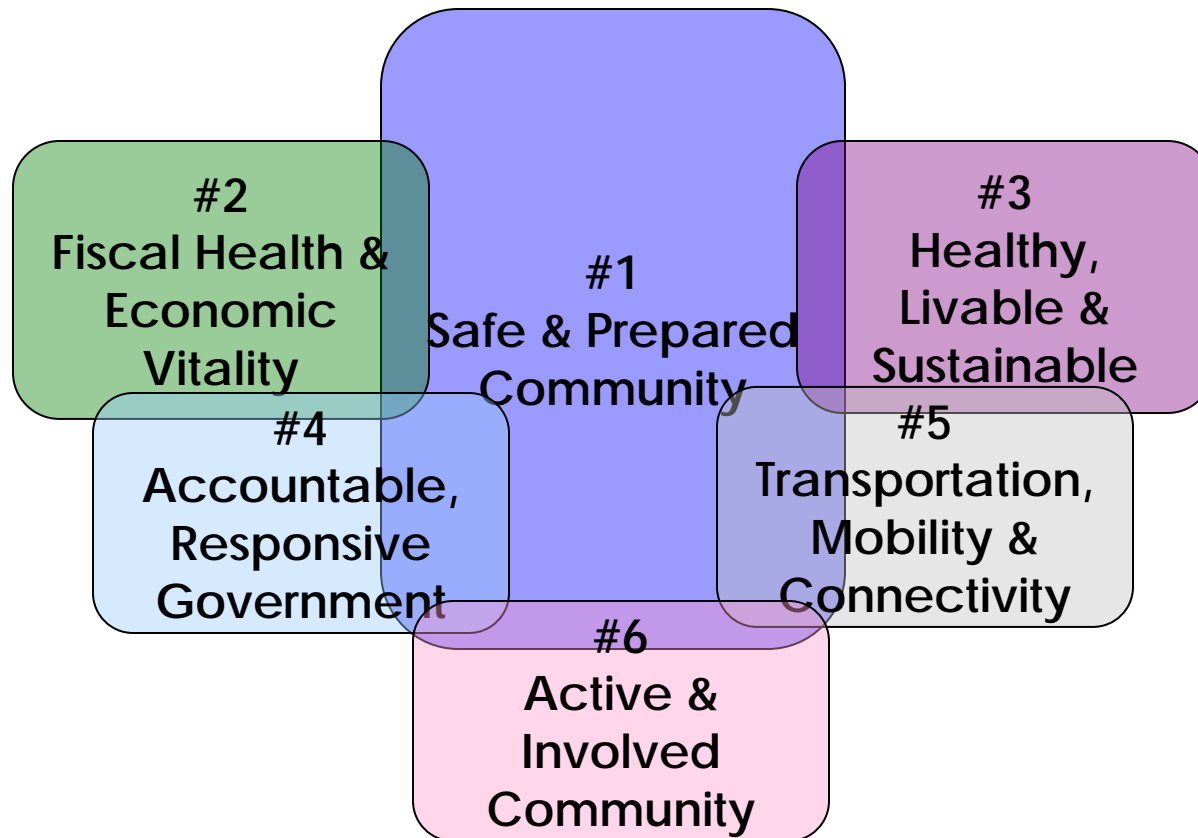
More Community Engagement Takeaways

35

- Transportation is a high priority – but when it means existing street maintenance
- Job creation — City has a key role, but efforts are limited without capital funding
- Parks & Recreation is a low fiscal priority – but highly valued for quality of life
- Strong interconnectedness among all Strategic Commitments

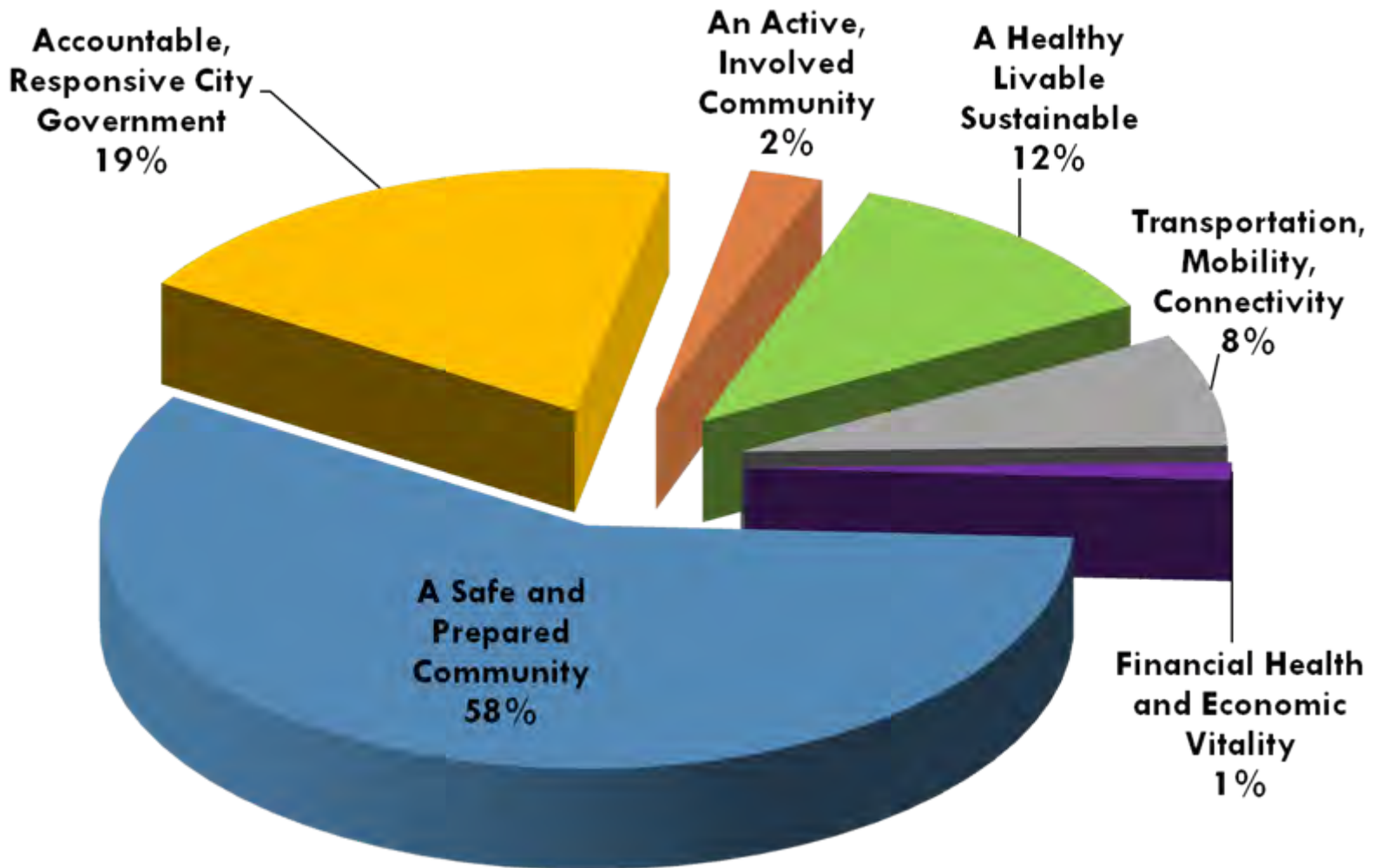
City Manager's Direction: Horizons - Priorities of Government

36



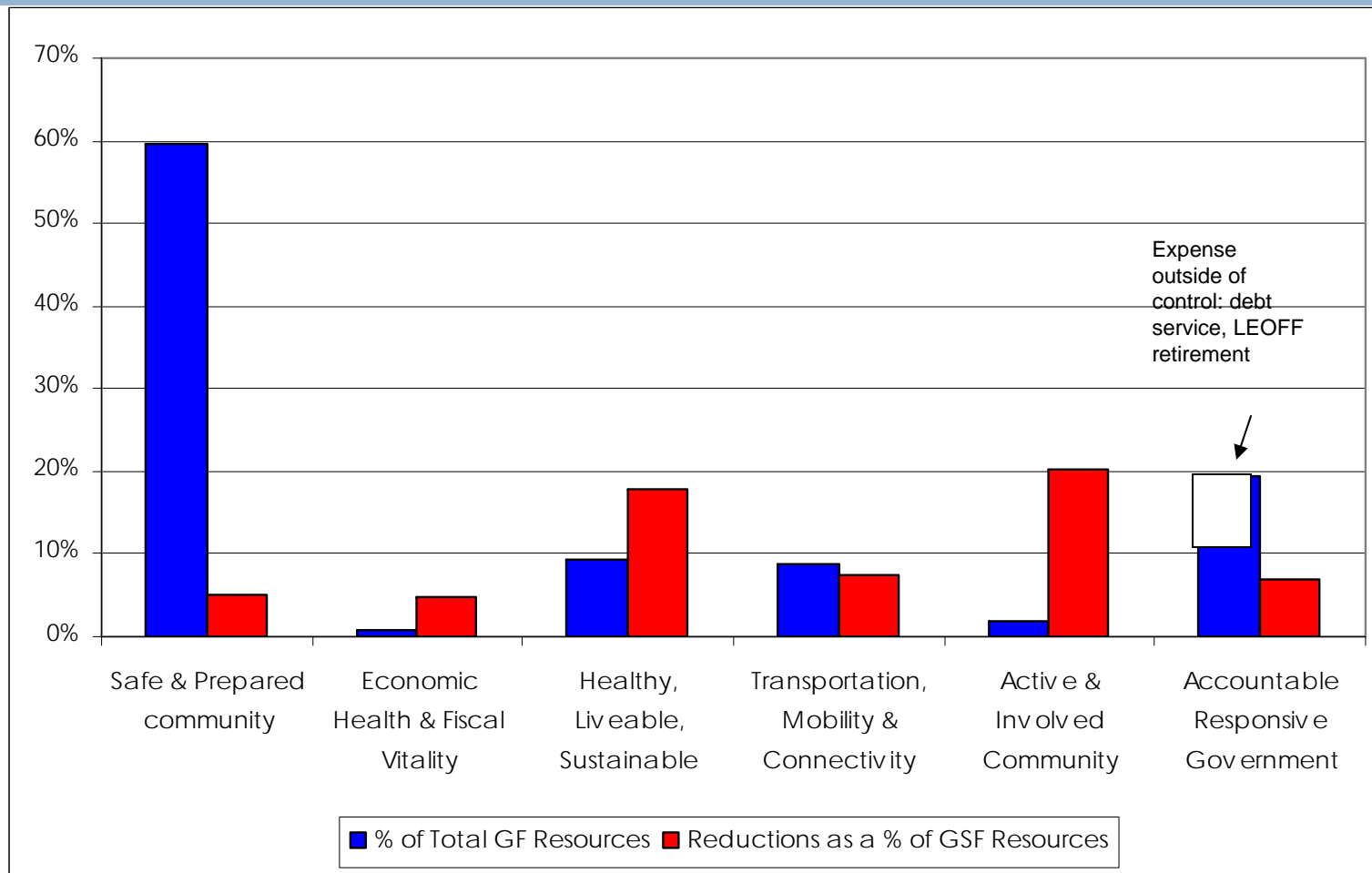
Total Biennial General, Street, Fire Fund \$181.5 m (Transfers to Street, Fire, Debt excluded, Restricted Revenue funded expenses removed)

37



Preliminary NET Reductions as a Percentage of Currently Dedicated GSF General Resources

38



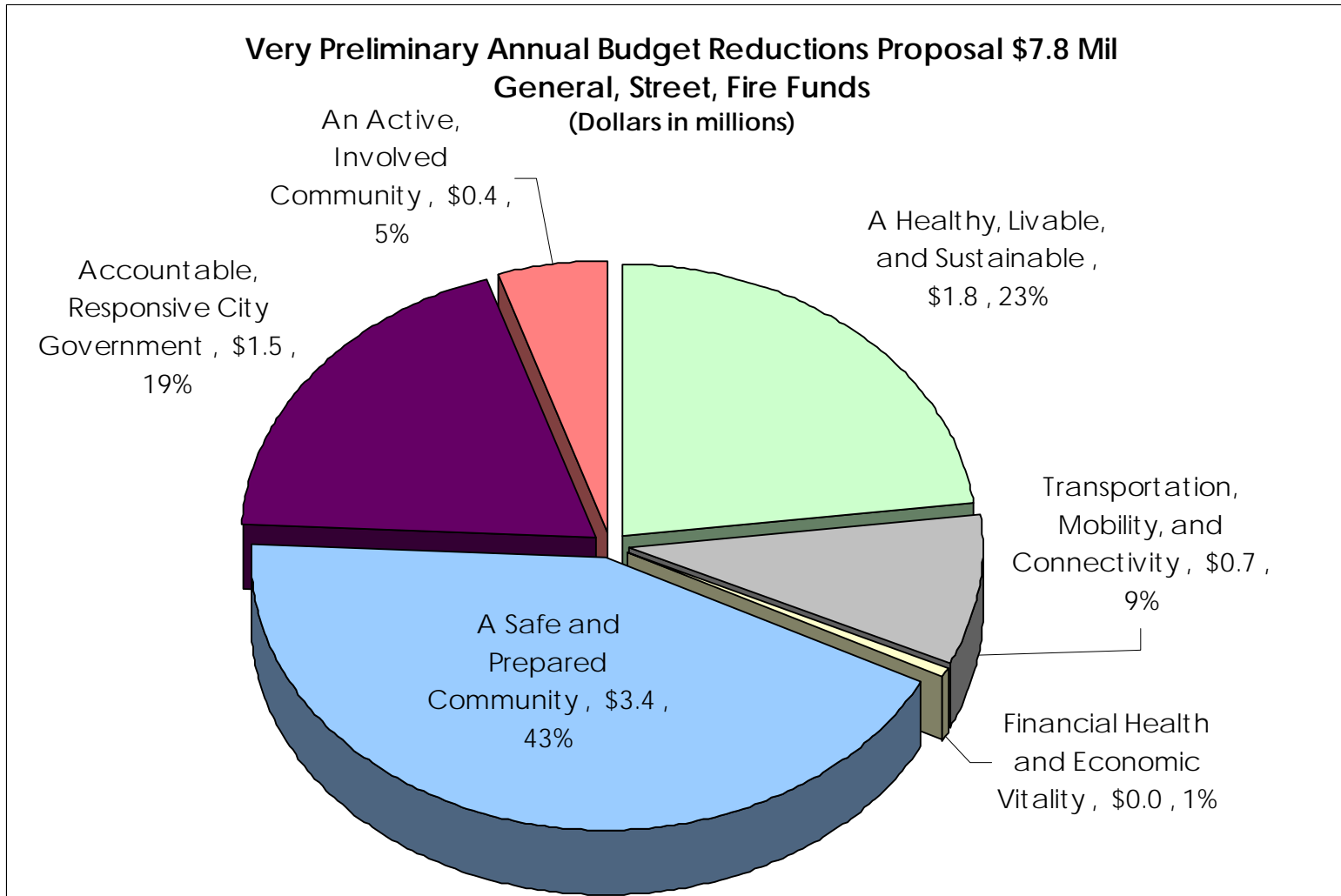
(2010 GSF Expenditures, transfers to Street, Fire, Debt are excluded, Restricted Revenue funded expenses removed)

July 12, 2010

2011-2012 Budget Update Retreat

Preliminary 2011-2012 Reductions by Strategic Commitment (Net Impact)

39



July 12, 2010

2011-2012 Budget Update Retreat

Reductions by Strategic Commitment

2011-2012 Preliminary Proposal Summary

41

- Total GSF FTE reductions 105.6 FTEs
- Significant service impacts across organization
 - ▣ Strategically minimize workforce reductions and service delivery impacts
 - ▣ Focus on maintaining City priorities
 - ▣ Preserve assets
 - ▣ Reduce liability
 - ▣ Organizational flattening across all departments
 - ▣ Divestiture, outsourcing where it makes sense

Active and Involved Commitment Current

FTEs by Strategic Commitment and Department

42

Department	A Healthy, Livable, and Sustainable Vancouver	A Safe and Prepared Community	Accountable, Responsive City Government	An Active, Involved Community	Financial Health and Economic Vitality	Transportation, Mobility, and Connectivity	Total
<i>General Fund</i>							
CMO			15.6	4.5	0.4		20.5
Development Review Services	10.0	4.0	10.5		1.0		25.5
Economic Development					3.0		3.0
Financial and Management Services			40.0				40.0
Facilities and Risk			14.0				14.0
Human Resources			11.3				11.3
Information Technology			12.0				12.0
Law		16.8	11.9				28.7
Media			2.9	2.0			4.9
Parks and Recreation	65.8	2.2					68.0
Planning	6.5		0.5		1.0		8.0
Police		231.5		1.0			232.5
PW - Grounds Maintenance	24.6						24.6
Transportation				0.9		21.1	21.9
<i>Street Fund</i>							
PW- Street Maintenance	4.7	2.0	1.0			21.3	28.9
Transportation						4.3	4.3
<i>Fire Fund</i>							
Fire		202.0		1.0			203.0
Total Direct GSF FTEs	111.6	458.5	119.7	9.4	5.4	46.6	751.0
<i>Other Funds Heavily Supported by the GF</i>							
<i>Equipment Services Operations Fund</i>			10.2				10.2
<i>Computer Repair & Replacement</i>			5.6				5.6
<i>Self Insurance Fund</i>			3.5				3.5
<i>Self Insurance Benefits Fund</i>			2.1				2.1
<i>Print Shop & Mail Services</i>			1.0				1.0
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Total Proposed FTE Reductions	32.0	39.0	20.5	4.5	0.0	9.6	105.6
Total FTEs remaining	79.6	419.5	121.6	4.9	5.4	37.0	667.9

Active and Involved Commitment

43

- Priorities of Government Outcomes – Continued Services
 - ▣ High focus on electronic communications, including web and CVTV/video
 - ▣ Office of Neighborhoods interaction, information with community
 - ▣ Volunteer Coordination: NOW in Police to empower neighbors
 - ▣ More centralized, strategic public information and communications
 - ▣ Special events dependent on dedicated revenues (sponsorships, Tourism)

- Impacts from Reductions
 - ▣ Mediation no longer a City service
 - ▣ Reduced training, education/outreach
 - ▣ Communications restructured, gaining higher efficiencies by centralizing resources, reducing department-based outreach/communications

Transportation, Mobility and Connectivity

44

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Transportation, Mobility, Connectivity

45

□ Priorities of Government Outcomes – Continued Services

- Asset preservation and safety – core road improvements will be maintained; pavement management funded to policy
- Potholes will be continued to be filled, though delays possible
- Street signals system will be supported
- Street lights will be maintained
- Graffiti will be removed
- Street sweeping will continue, though 30% less frequently

□ Impacts from Reductions

- No Transportation capital (new roads) without new funding
- Future concurrency issues, negatively impacting development
- Higher congestion
- Signs/striping will take longer to replace, repair
- Delays in pothole filling in response to resident's complaints

Accountable, Responsive City Government

46

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Accountable, Responsive City Government

47

- Priorities of Government Outcomes – Continued Services
 - Financial, IT, HR services will focus on major issues and accountability to taxpayers
 - Centralized Information and Outreach
 - Emphasis on risk management
 - Essential planning and permitting functions provided

- Impacts from Reductions
 - Higher audit risk exposure, slower Finance response at times
 - Less legal resources for code violations
 - Longer hiring process, slower HR response at times
 - Minimal support for custom and niche software systems
 - Less administrative help and support
 - Citizen Advocate program eliminated

Healthy, Livable, Sustainable

48

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Healthy, Livable, Sustainable

49

- Priorities of Government Outcomes – Continued Services
 - All City parks remain open
 - Emphasis is on asset preservation – to maintain safety and city investment
 - All Community Centers remain open to the public
 - Expanded volunteer programs
 - Restructured Grounds Maintenance Services

- Impacts from Reductions
 - City Parks Capital program being phased out in 2012
 - Reduced hours in Community Centers, fine balance of support and costs
 - Major reductions in Parks Maintenance
 - Major reduction in median maintenance – primarily visibility services
 - Increase cost recovery in recreation (surcharge)
 - No environmental planning program

Safe and Prepared Community

50

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Safe and Prepared

51

- Priorities of Government Outcomes – Continued Services
 - ▣ Core police patrol service preserved
 - ▣ Fire protection preserved at lower level
 - ▣ Jail, Corrections and District Court Services contracts maintained
 - ▣ Criminal prosecution capacity preserved

- Impacts from Reductions
 - ▣ One fire station closed
 - ▣ Slower fire and emergency response throughout the City, primarily in the central areas
 - ▣ Flatter VPD organization
 - ▣ Slower police response to lower level crimes

Safe and Prepared : VPD

52

Proposed Restructuring Plan \$2.1 mil

□ Salary/Benefit Savings from Proposed Reorganization

- Rollbacks in Rank (20 FTEs)
- Existing Vacant positions (-7 FTEs)
- Proposed Lay-offs (-14 FTEs)
- Grant Modification (+10 FTEs)

□ Total positions lost if grant modification successful 11 FTEs

Vancouver Police Department Preliminary Reorganization Plan

53

	<u>2010</u>	<u>2011</u>
Chief	1	1
Assistant Chief	2	2
Commander	5	8
Lieutenant	10	0
Sergeant	36	32
Corporal	21	13
Police Officer	<u>127</u>	<u>135</u>
Total	202	191 (w/ grant)

Vancouver Police Department COPS Grant Update

54

- In September 2009 Council accepted \$2,582,710 to hire 10 new officers for 3 years; grant not yet tapped.

Grant Modification (Submitted by August 1):

- City can apply to rehire officers scheduled for layoff
- City must pay any costs above the entry-level rate
- City must pay salary and benefits in Year 4
- No supplanting: Any reductions-in-force during the grant period require Council process and documentation
- Modification requests will be reviewed by the US Department of Justice COPS Office Legal Division
- No guarantee the modifications will be approved

2011-2012 Preliminary Proposal Summary

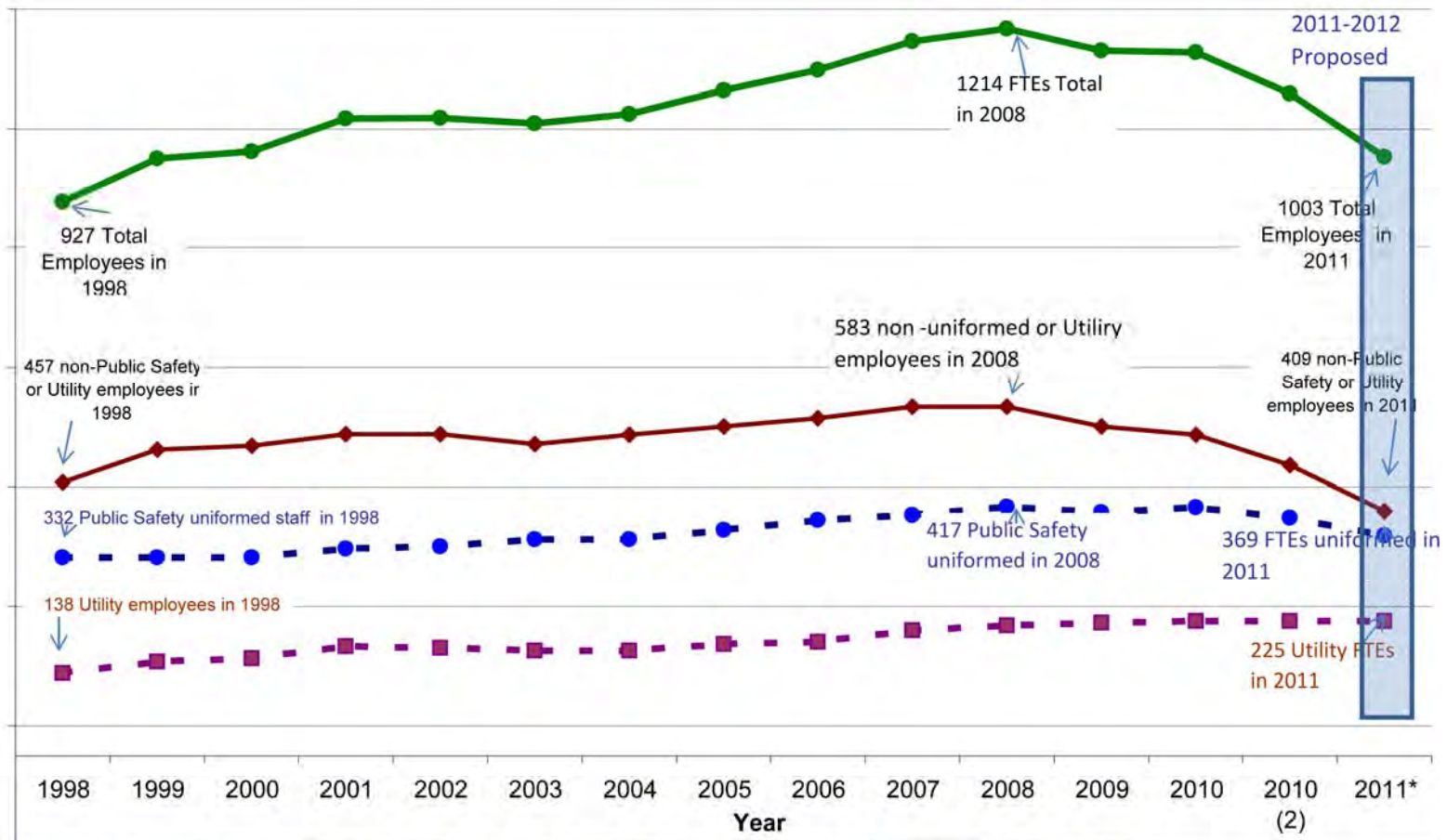
56

- Total GSF FTE reductions 105.6 FTEs
- Significant service impacts across organization
 - ▣ Strategically minimize workforce reductions and service delivery impacts
 - ▣ Focus on maintaining City priorities
 - ▣ Preserve assets
 - ▣ Reduce liability
 - ▣ Organizational flattening across all departments
 - ▣ Divestiture, outsourcing where it makes sense

Staffing Over Time

Includes 2011-12 Proposal

57



Note: Chart assumes that the COPS grant is successfully modified, resulting in 10 frozen positions being filled.



Preliminary Budget Proposal Summary

58

- The City is reducing costs to meet structural revenue constraints
 - ▣ Emphasis is on strategic, sustainable reductions
 - ▣ Continued efforts to create a more focused and limited organization
 - ▣ The City maintains a diverse array of core services
 - ▣ The City is strategically positioned to better meet future financial challenges

City Actions to Support Impacted Staff

59

- The City is actively pursuing a variety of solutions to support impacted employees:
 - Retirement incentive
 - Unfreezing vacant positions in other funds as opportunities for suited, impacted employees
 - Pursuing a federal grant in police to provide funding for three years for up to 10 FTE officer layoffs
 - Providing classes and information, such as resume preparation and marketability
 - Providing early notification to employees – nearly six months in advance to help with transition

Other Efforts Underway

60

- Regional fire service alternative study
- Regional Parks Blue Ribbon Committee
- Regional Transportation Benefit District feasibility
 - Expected recommendations: Mid-2011

Next Steps

61

- Notice to impacted employees week of July 12
- Continue health care discussion
- Kick off collective bargaining late July
- Budget work will continue through
 - ▣ Updated Revenue Forecast September
 - ▣ City Manager's Recommended Budget Sep. 27
- Council Budget Deliberations October
- Final 2011-12 Budget Adoption November

Questions and Discussion