

The Budget Challenge for a Sustainable Pacific Grove



June 7th and 9th, 2007

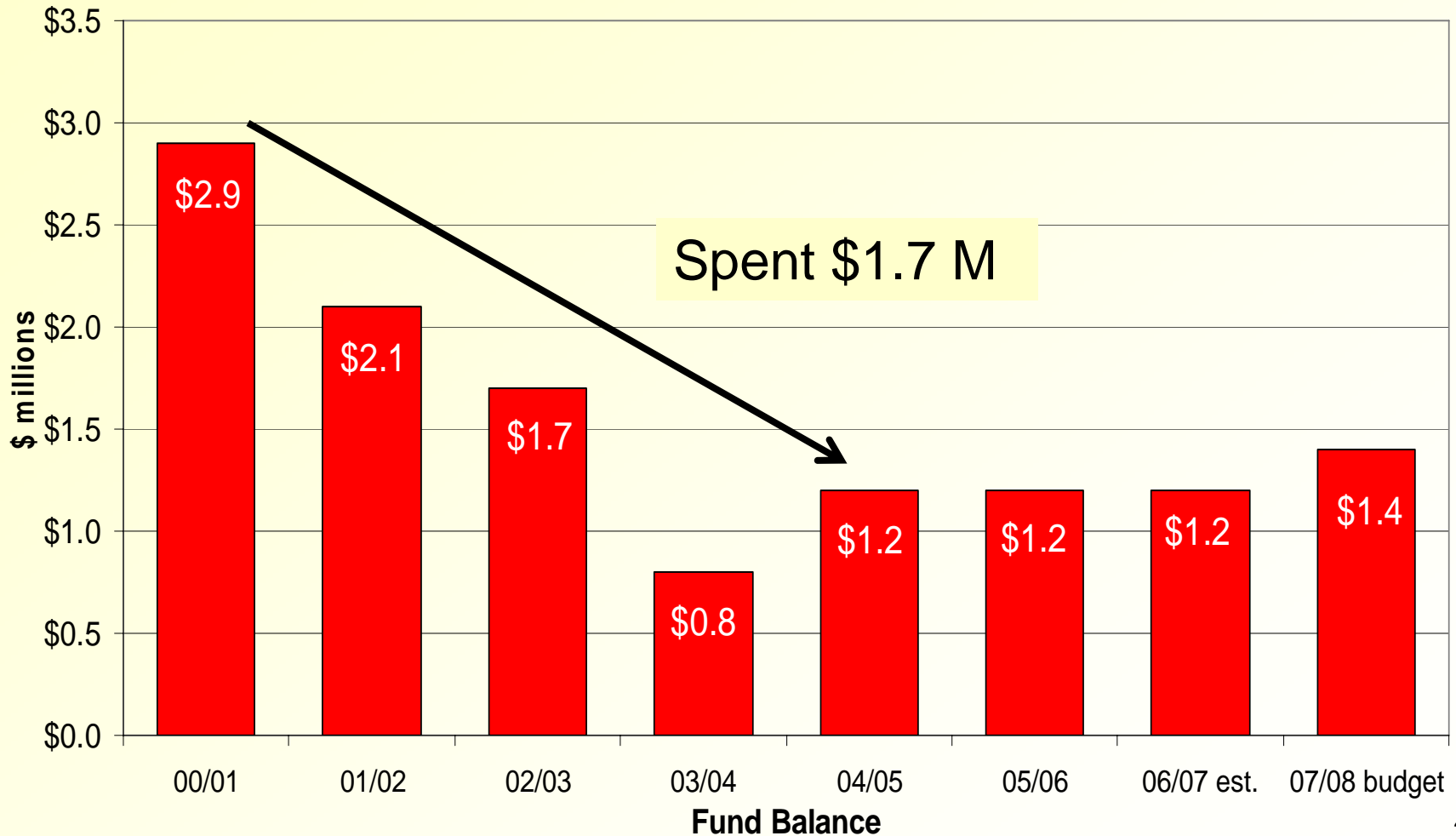
Jim Colangelo, City Manager

Jim Becklenberg, Dir. of Mgmt. and Budget

Overview

- Placeholder Budget
 - Major decisions during FY 2007/08
- Long road ahead
 - Sustainable services and revenue
 - Capital improvement program
 - Performance budgeting
- Are we different from other communities?
- Choices about services and taxes

Spent Reserves to Avoid Service Cuts



Current Year Recap

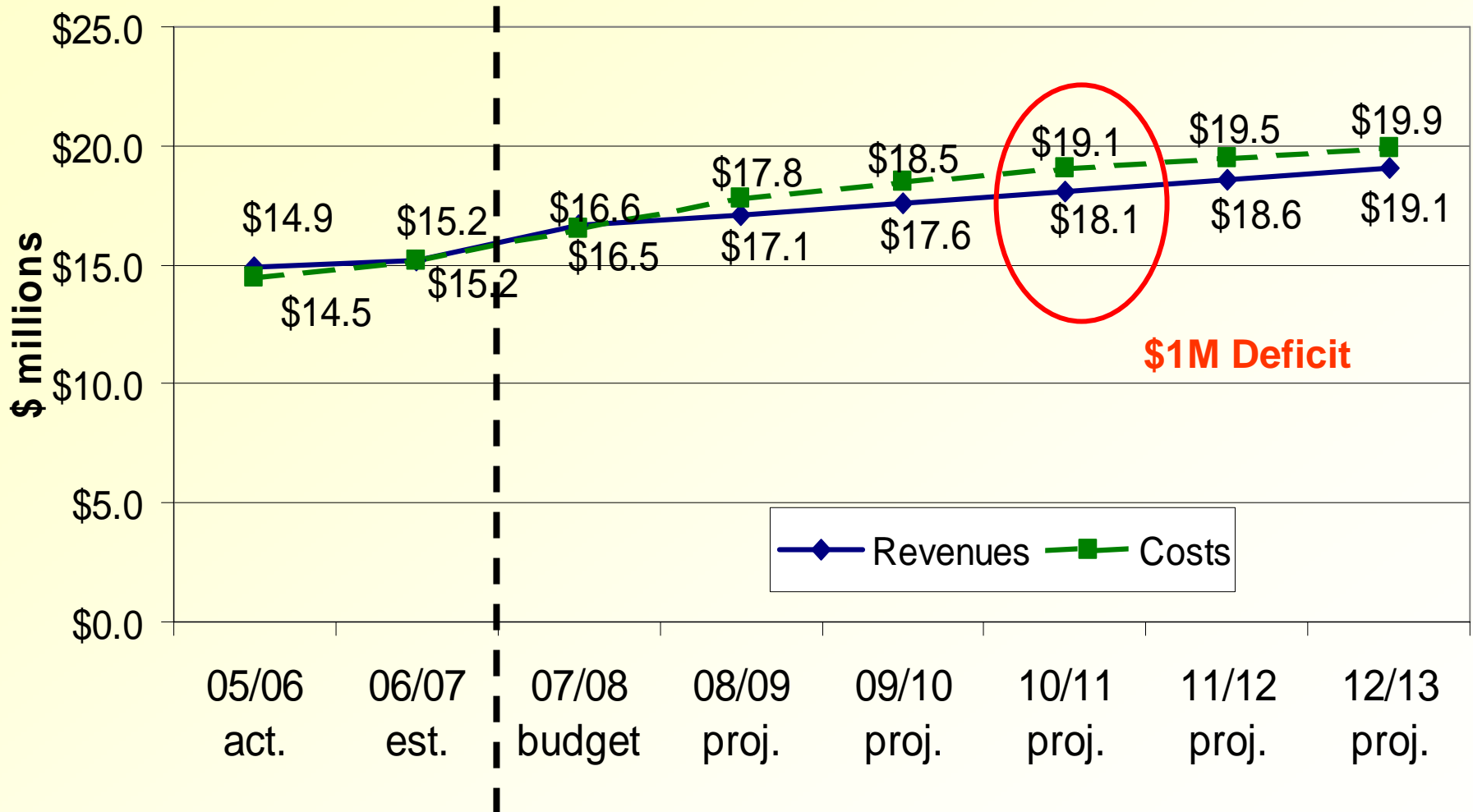
- 6/06: Adopted budget assuming \$1.9 M fund balance and \$200,000 surplus for year.
- 12/06: Realized we had only \$1.2 M fund balance and \$500,000 deficit
- 1/07: Approved plan to close gap
- 3/07: Set goals to cover basics in FY 07/08
- 4/07: Delivered budget achieving goals

FY 2007/08 Budget Achievements

- Interim step toward sustainability
- Balances annual revenues with annual costs
- Limits liability for dying trees, storm water treatment, and failing infrastructure
- Preserves current public safety services
- Avoids service reductions that preclude service restoration
- Protects revenue generators
- Restores reserves (partially)

Forecast: \$0.7 M - \$1.0 M Gap

No New Services



Under-Funded Services

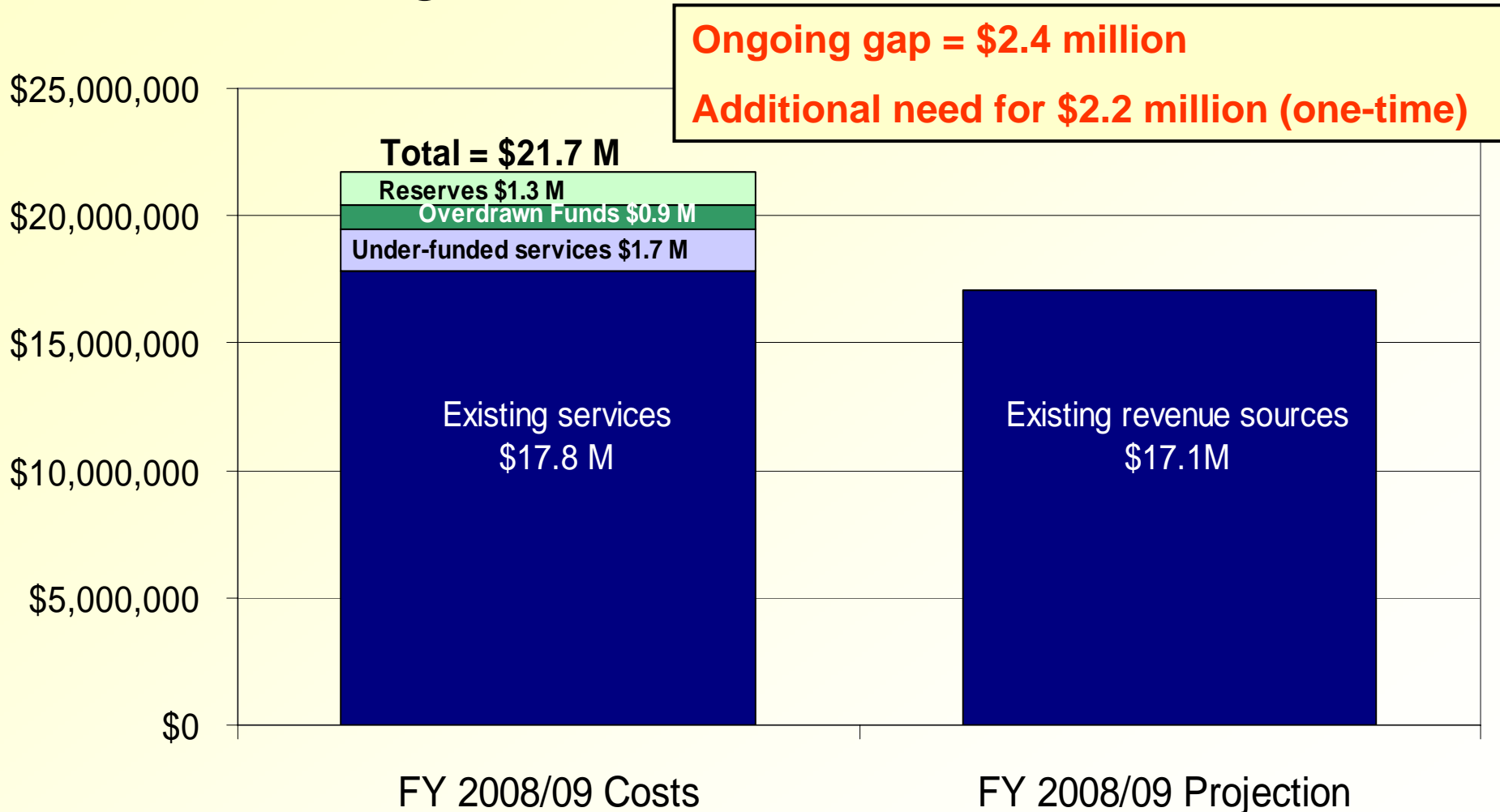
Preliminary Brainstorming, from December 2006

Street maint.	\$500K	Code Enforcement	\$200K
Sidewalk maint.	\$85K	Long-range land use planning	\$200K
Rec. trail maint.	\$15K	Faster construction services	\$150K
Park maint.	\$150K	Capital replacement fund	\$300K
Library hours	\$100K		

Total estimated annual cost = \$1.7 million

The Challenge

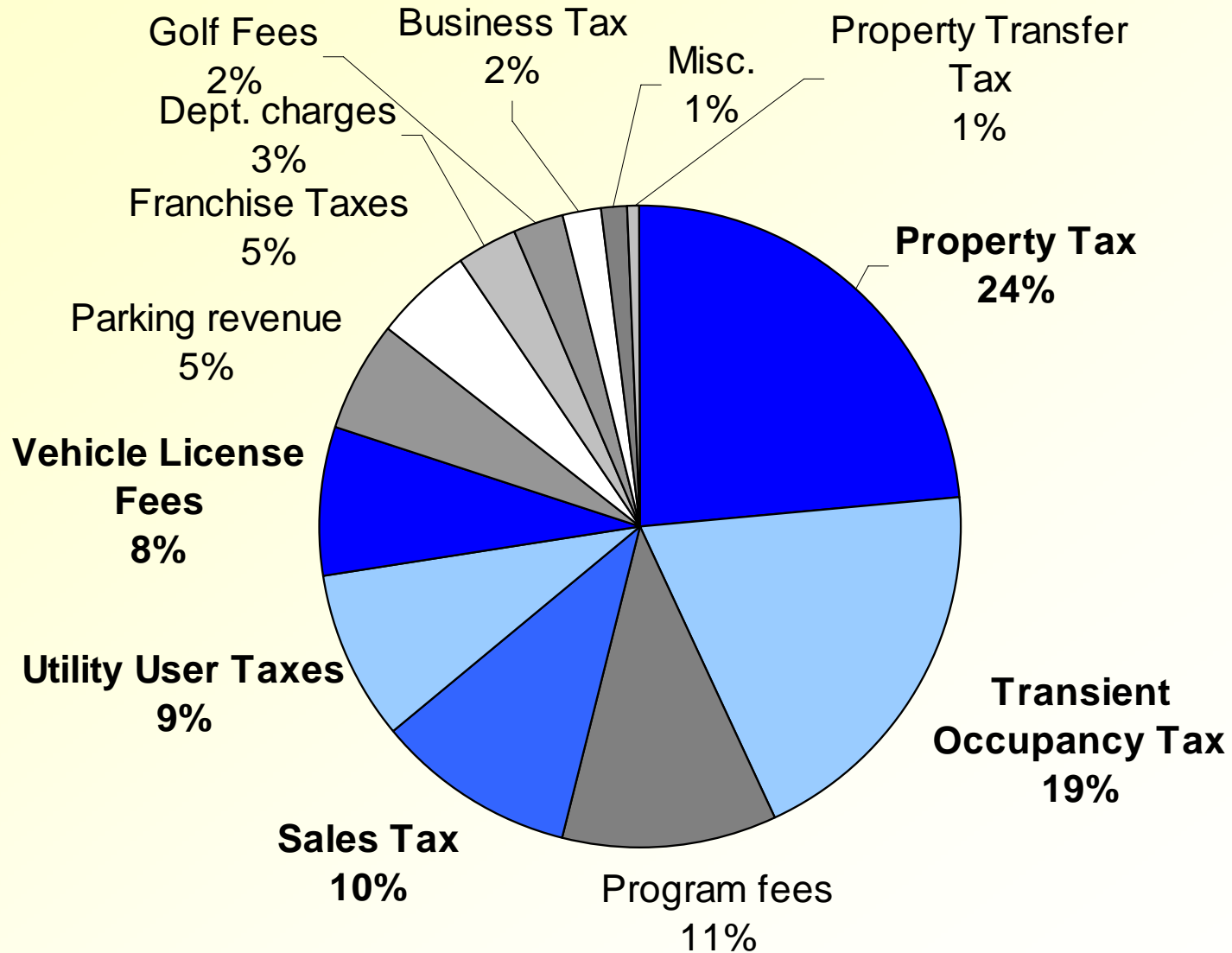
Balancing Revenues with Service Costs



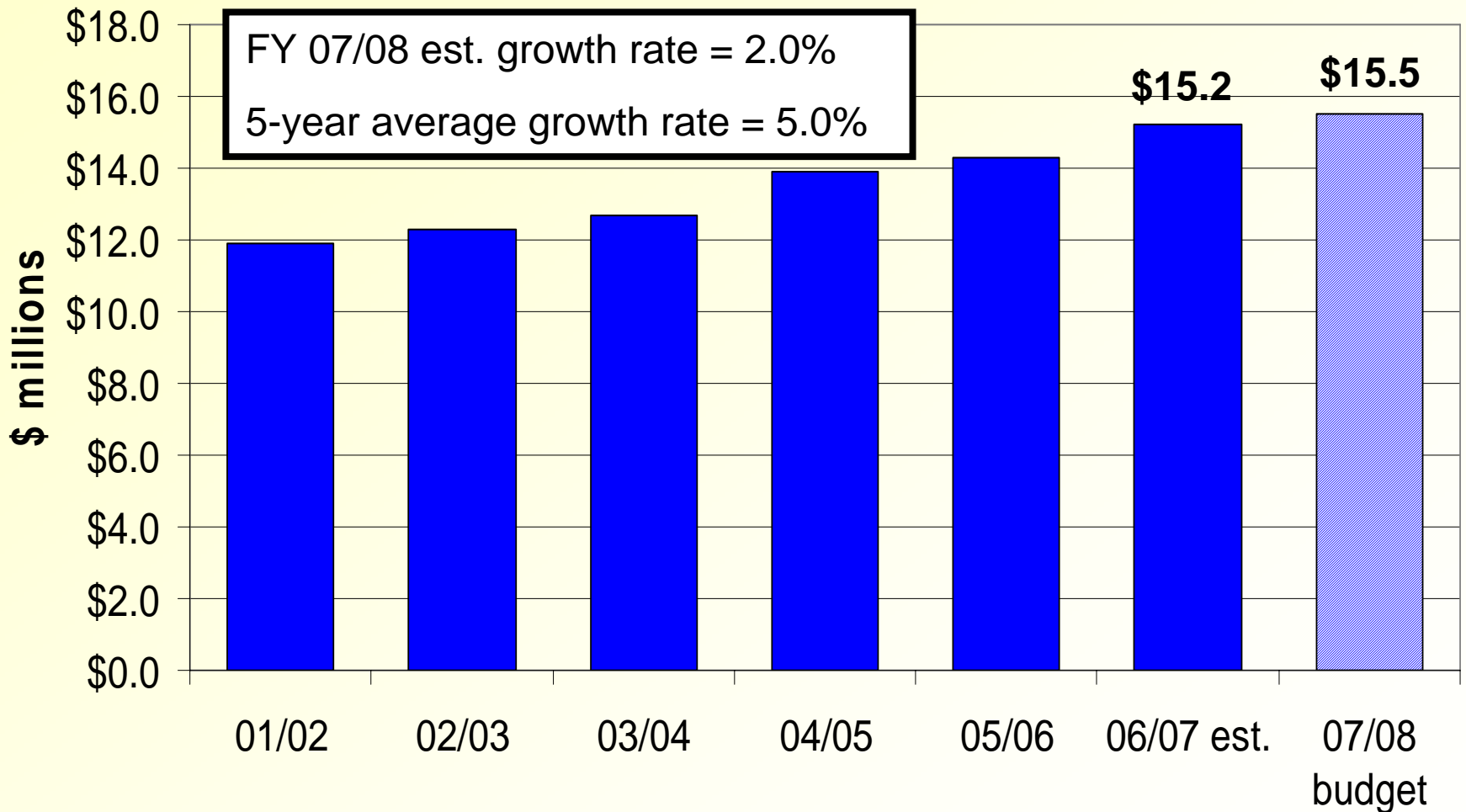
FY 2007/08 Budget

General Fund Revenue

Dependent on Largest Single Sources

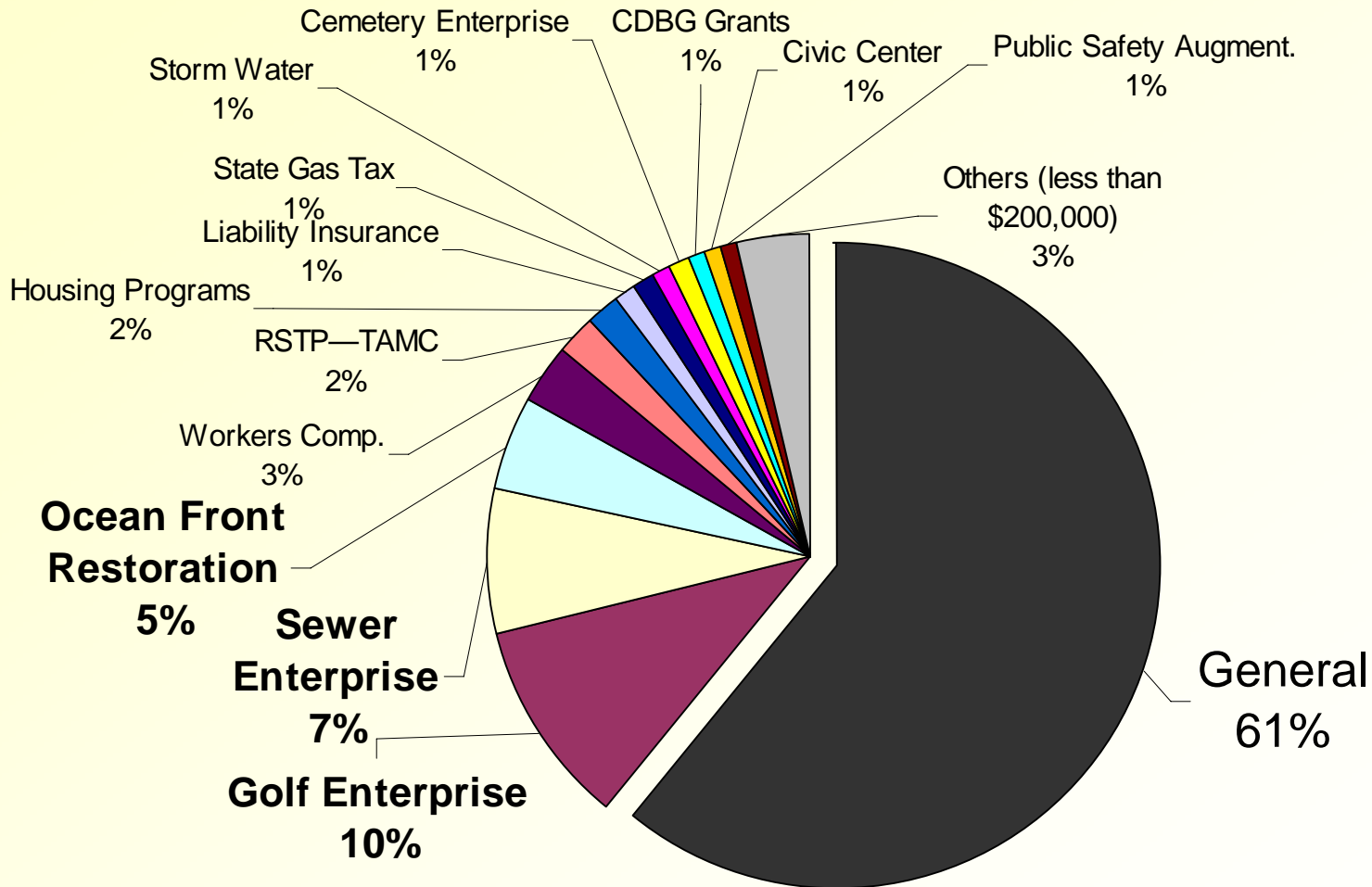


Slow Growth Projected for Existing Revenues



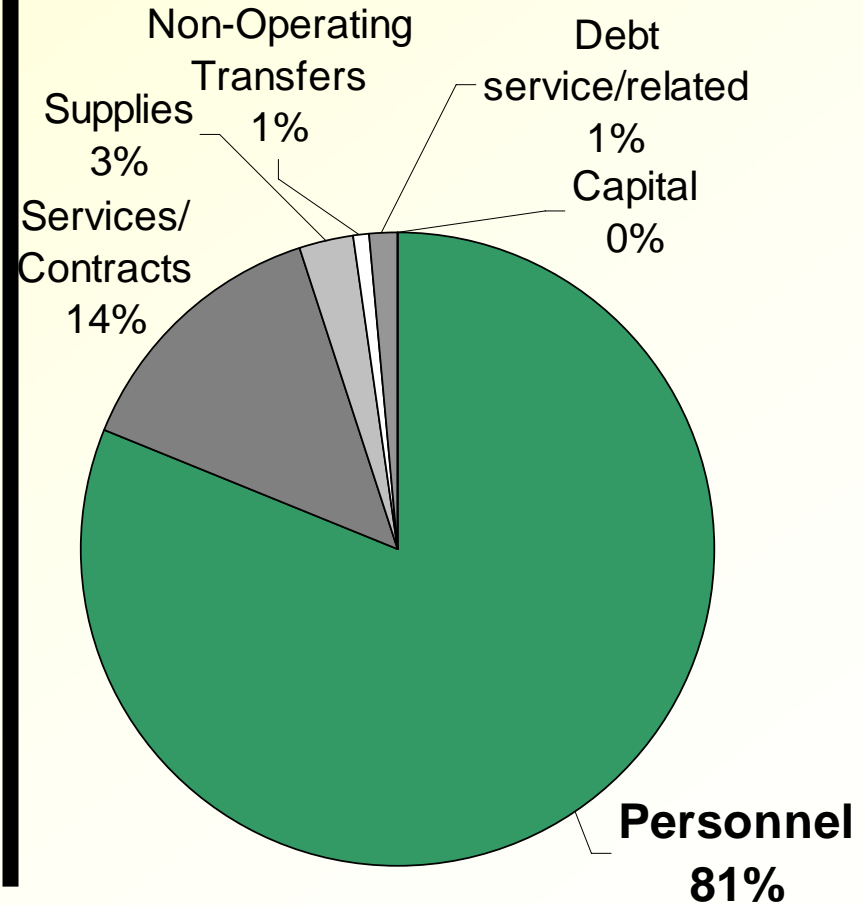
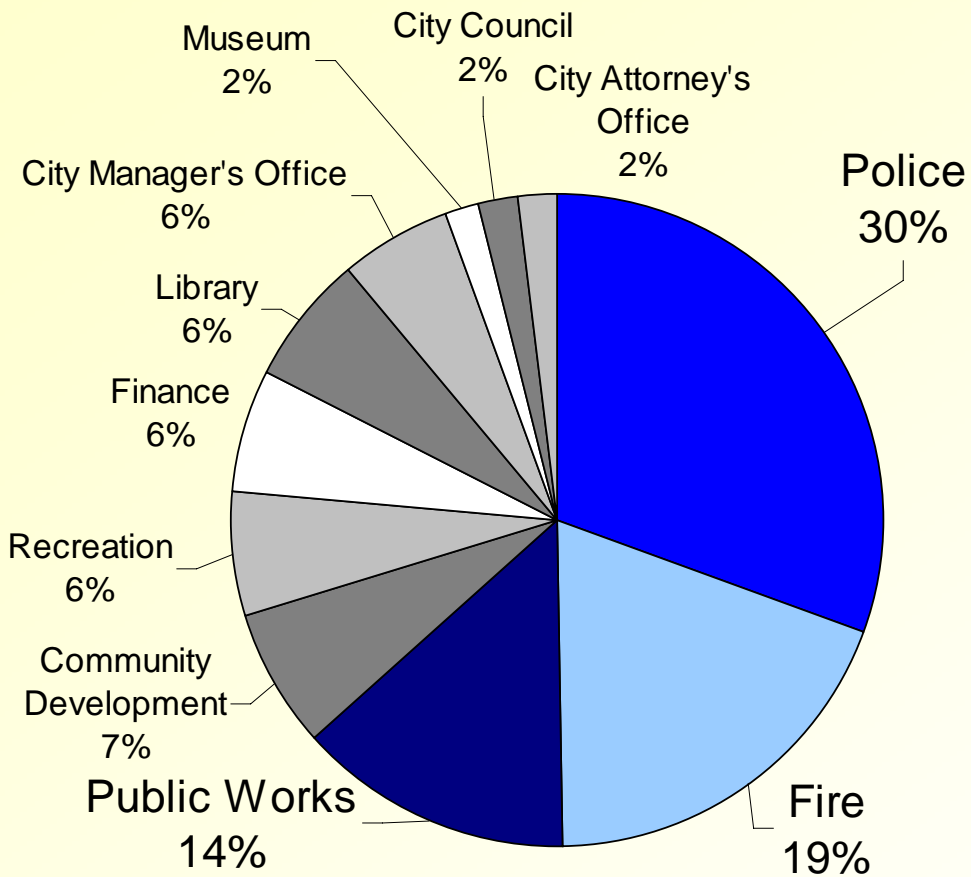
FY 2007/08 Budget: All Funds

Total = \$25,157,564



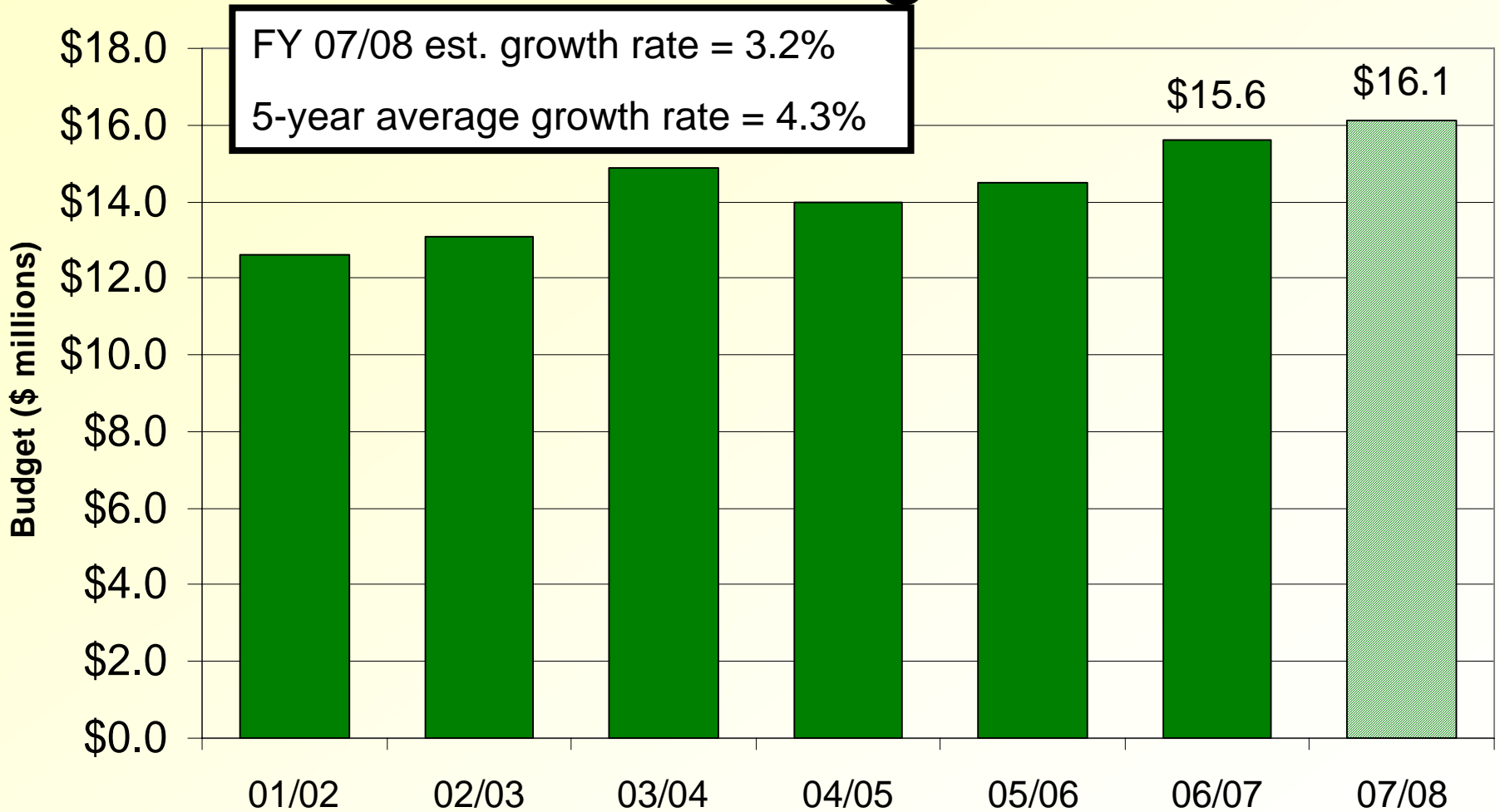
General Fund Budget = \$15,438,552*

People and Basic Services

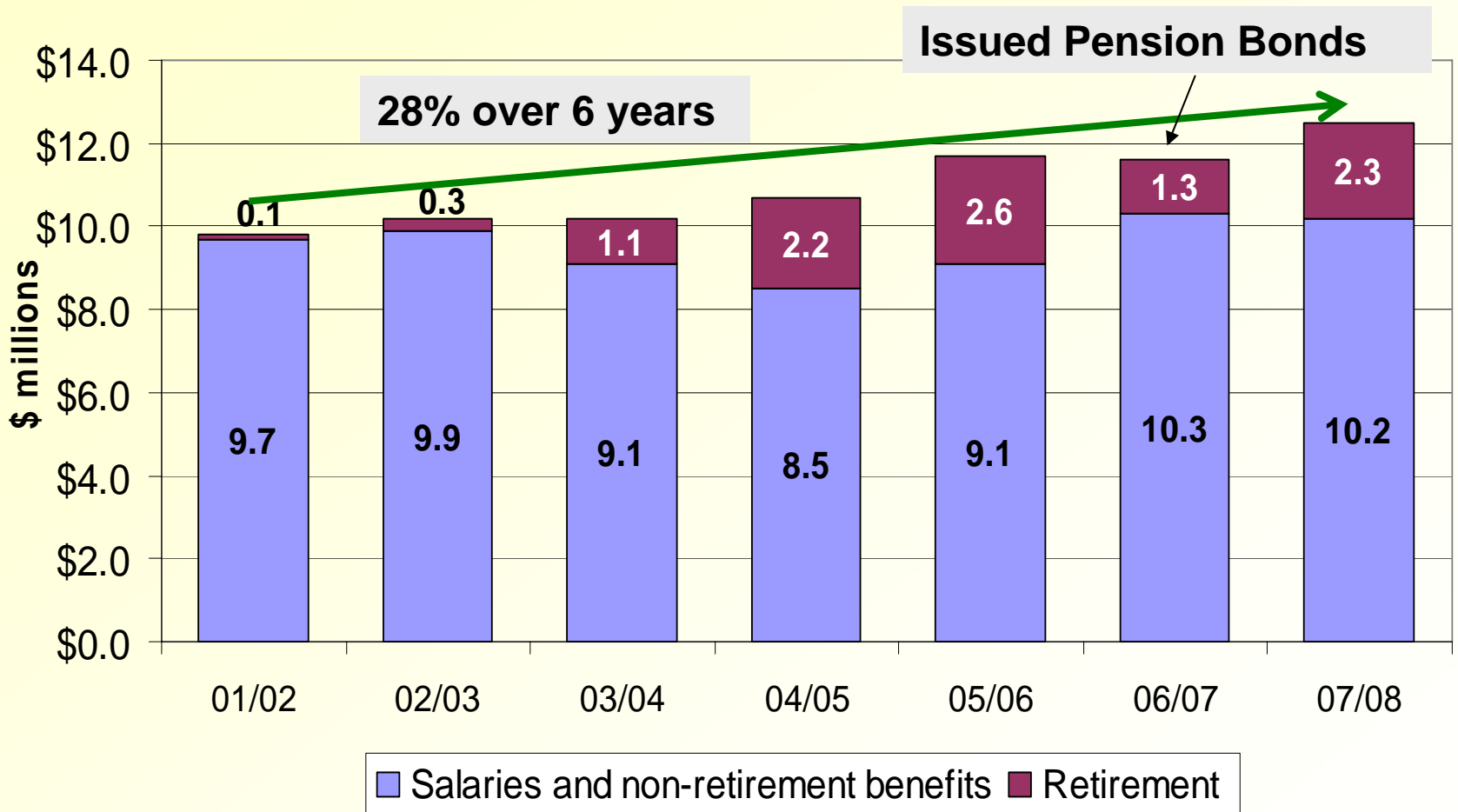


* Excludes transfers to other funds

FY 2007/08 Costs Increasing 3.2% for Existing Services



Personnel Cost Increases Average 4.7% per Year



Existing Services With Strategies

FY 2007/08 Existing Services	\$16,167,044
Storm water management	\$250,000
Forestry program	\$250,000
Information Technology Position	\$100,000
Parking meter leasing	\$123,000
Planned staffing vacancies	-\$291,000
Eliminated Fire Division Chief	-90,000
Decrease contract plan-check	-10,000
Total expenditure adjustments	\$332,000
FY 2007/08 Total Expend. and Transfers	\$16,499,044

New Revenues Key for Balancing FY 2007/08

FY 2007/08 Existing Revenues	\$15,523,416
Parking revenue (gross)	492,000
Golf revenues	400,000
Museum donations	60,000
Tree evaluation fees	65,000
Recreation program fees	50,000
Fire contract revenue	60,000
Total new revenues	1,127,000
FY 2007/08 Total Revenues	\$16,650,416

FY 2007/08 Summary

(\$ Thousands)	06/07 adj. budget	07/08 budget
Beginning Fund Balance	\$1,167	\$1,167
Revenues	15,195	16,650
Expenditures and transfers out	-15,195	-16,499
Net Results of Operations	0	151
Ending Fund Balance	\$1,167	\$1,318

Forecast assumptions

1. The economy will remain stable throughout the forecast period.
2. No salary increases beyond those already in place
3. No new staff or services beyond FY 2007/08
4. Major cost drivers:
 - Full funding for FY 2007/08 planned vacancies
 - Retirement cost savings phases out
 - Police Officer salary increase to market average

Forecast:

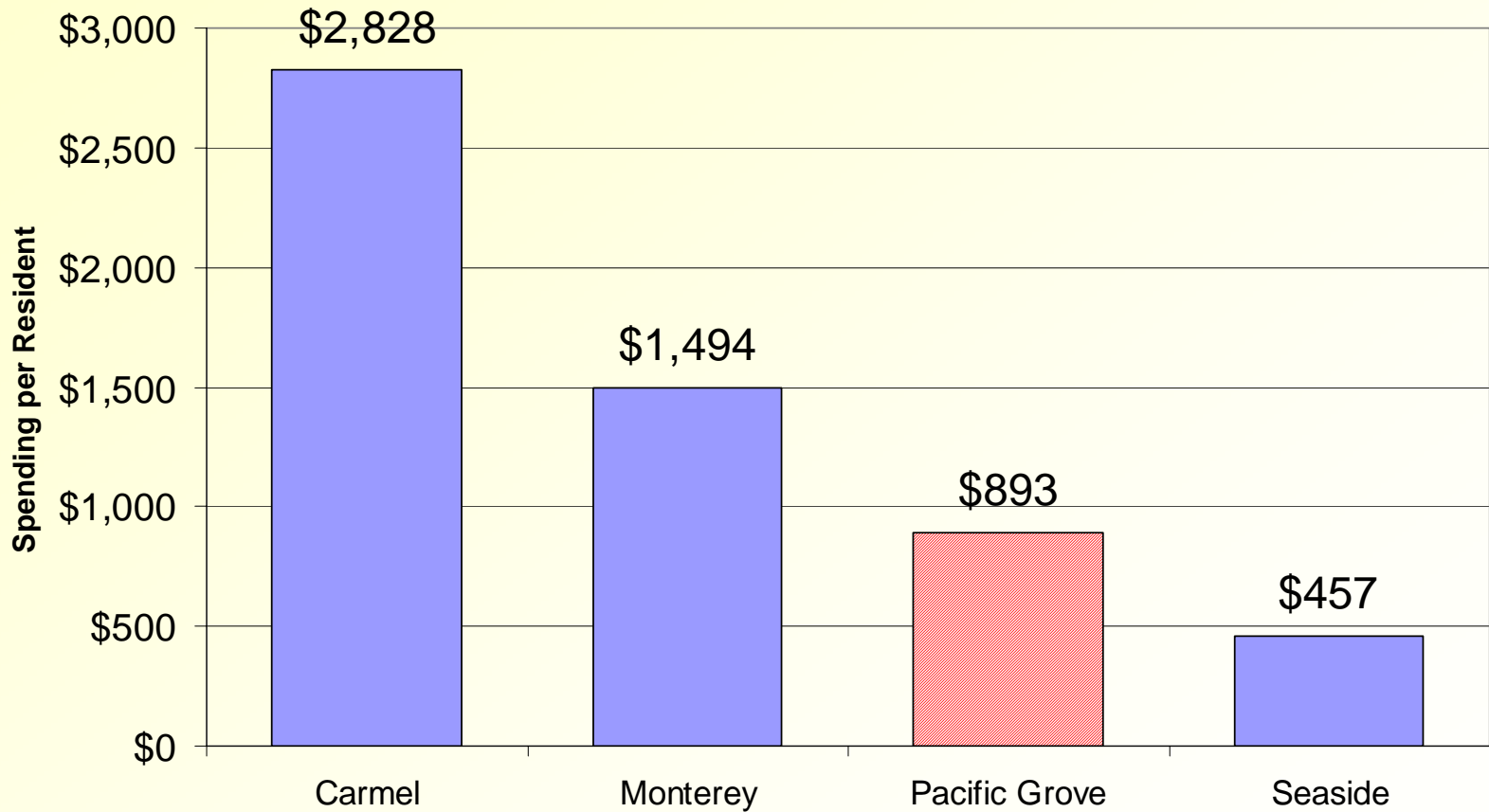
Existing Services Unsustainable

(\$ Million)	07/08	08/09	09/10	10/11	11/12	12/13
Beginning Balance	\$1.2	1.3	0.6	-0.3	-1.3	-2.2
Revenues	16.6	17.1	17.6	18.1	18.6	19.1
Expend. and trans out	-16.5	-17.8	-18.5	-19.1	-19.5	-19.9
Net Results	0.1	-0.7	-0.9	-1.0	-0.9	-0.8
Ending Fund Balance	\$1.3	0.6	-0.3	-1.3	-2.2	-3.0

How Do We Compare With Other Cities?

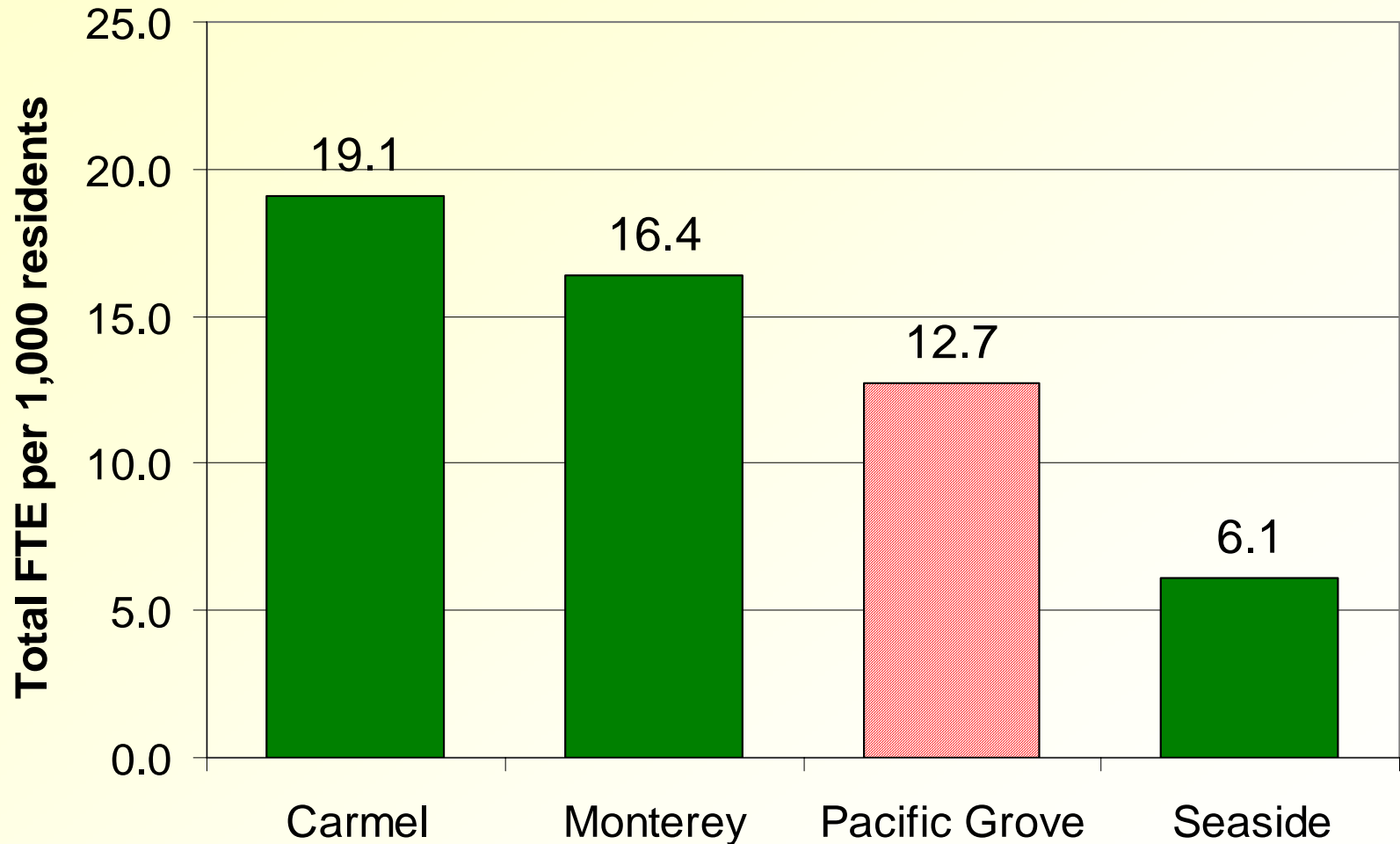
Spending Less than Neighbors

General Fund Expenditures per Resident, FY 2004/05



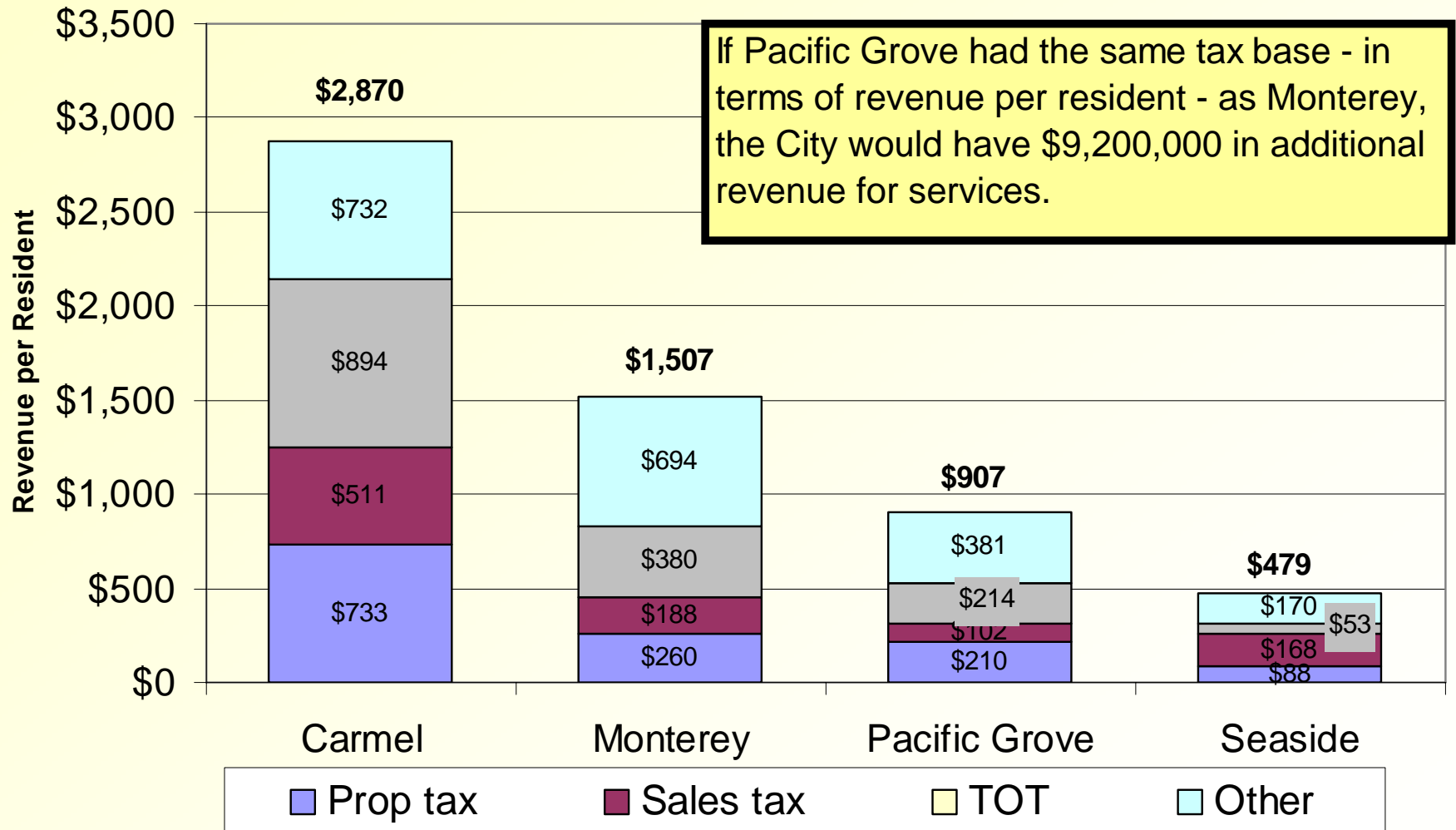
Fewer Staff Than Neighboring Cities

Full-time Equivalent Positions Per 1,000 residents

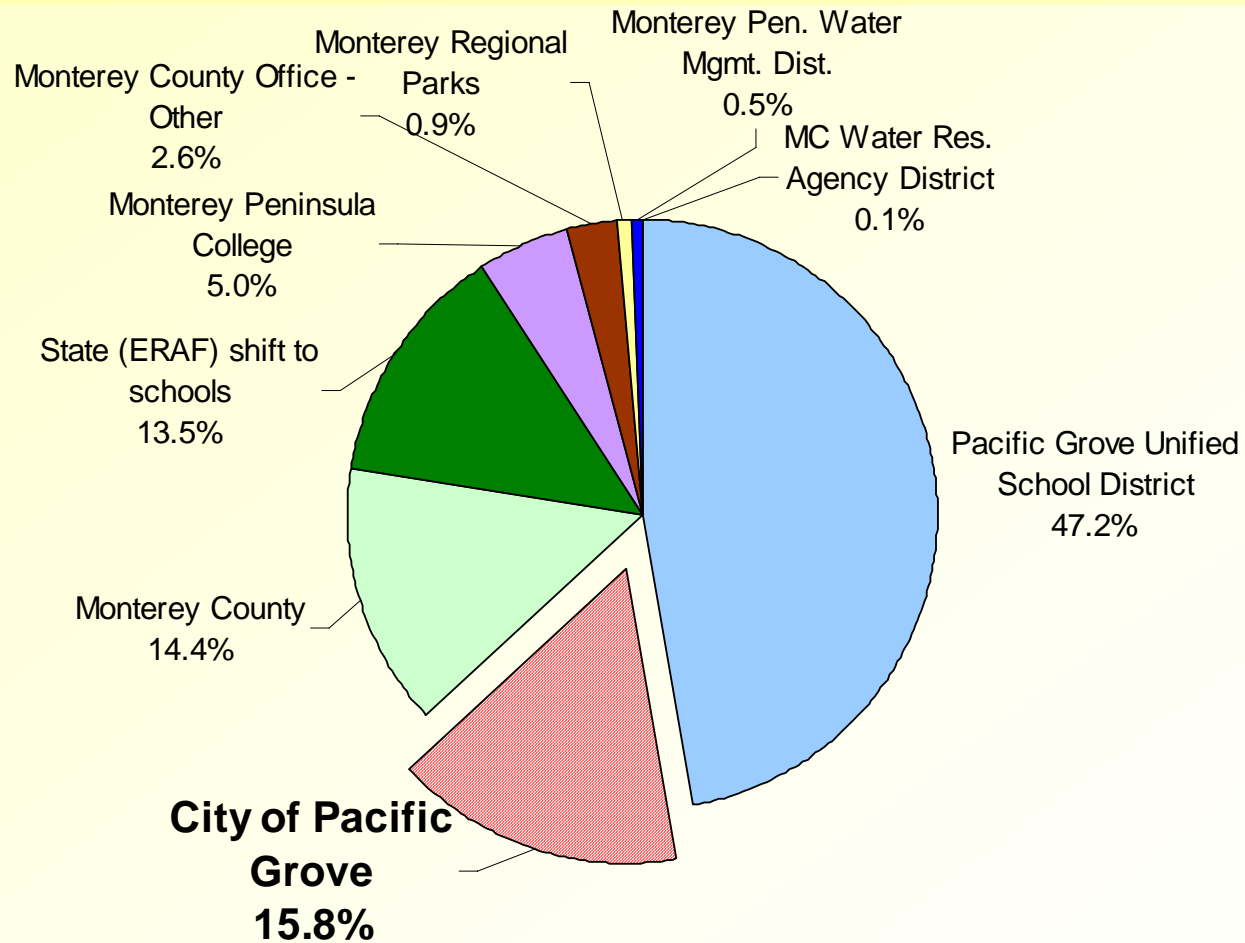


Less Revenue In Pacific Grove

Revenue per Resident, FY 2004/05



Where Property Tax Goes



Value for Taxes

Median monthly property tax payment per household = \$35

Median assessed property value = \$263,000

Total property tax paid = \$2,630

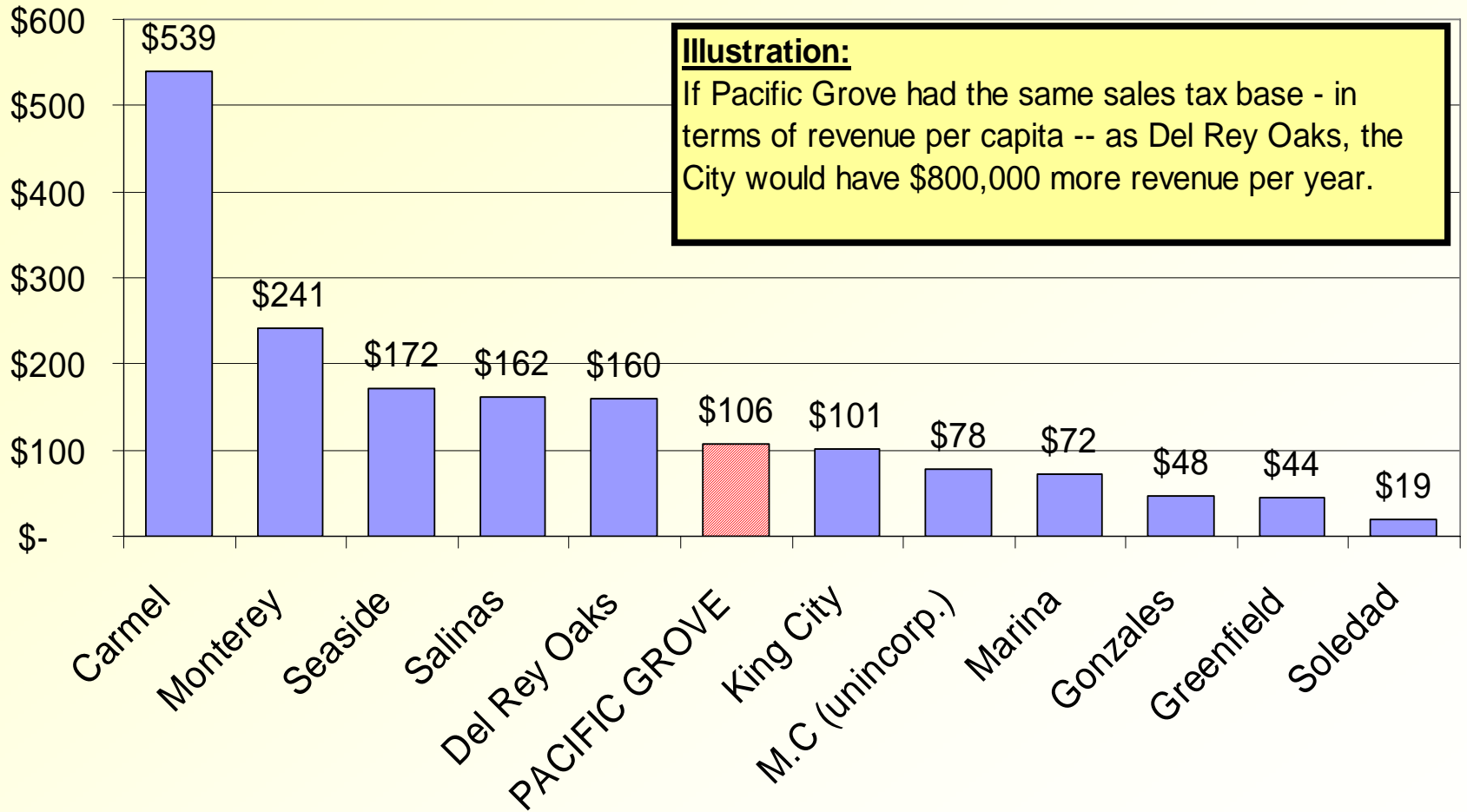
Received by City of Pacific Grove (15.8%) = \$415

Monthly payment for City services = \$35

Compare with:

- Water bill
- Cable TV bill
- Internet bill

Sales Tax Revenue Lowest On Peninsula



Additional Taxes in Area Cities

Del Rey Oaks	Approved local sales tax (1%) for general purposes (2006)
Sand City	Approved local sales tax (0.5%) for general purposes (2005)
Salinas	Approved local sales tax (0.5%) for general purposes (2006)
Carmel	Approved business tax increase to 0.1% (2006)
Seaside	Higher TOT rate: 12%
Monterey County (Unincorporated)	Higher TOT rate: 10.5%

So...
What Do We Do?

Seeking New Efficiencies

- Staff reorganization to centralize administration and reduce staff
- Exploring service consolidation and/or contracting with other agencies
- Employee pay to be based on market competitiveness and performance

Improving Financial Management

- ✓ Greater Citizen Oversight (ad hoc Budget and Finance Committee)
- ✓ Help from expert auditors
- ✓ New position focused on financial planning and clearer information
- ✓ New position to manage day-to-day accounting
- ✓ Automation of banking and accounting procedures

CHOICES

Who Pays, and For What?

- What services can we afford?
 - Relatively high-level of amenities (Rec. trail, urban forest, library, museum, special events)
- Balancing costs among all customers
 - Residents
 - Out-of-town shoppers
 - Rec. trail/ocean tourists
 - Businesses
 - Out-of-town golfers
 - Weddings

Potential Taxes: Require a Public Vote

Examples, with Preliminary Revenue Estimates

	<u>Rate assumption</u>	<u>Annual Rev. Est.</u>
Sales tax	Additional 1%	\$1,300,000
Transient occupancy tax	Increase to 12%	\$600,000
Property Transfer tax	\$10 per \$1,000	\$1,400,000 – \$2,400,000
Admissions tax	\$1 per admission	\$1,000,000 – 2,000,000
Business tax	Raise minimum, Eliminate cap	\$200,000 - \$500,000
Parcel Tax	\$50 per year	\$200,000

For More Information...

- Special budget page on City's website:
http://www.ci.pg.ca.us/budget/budget_index.html
- Questions? Suggestions?
Call Jim Becklenberg, 648-3170