

# CITY OF REDLANDS CALIFORNIA

## 2010-2011 ADOPTED BUDGET

*Redlands City Council Members*

Patricia L. Gilbreath, Mayor  
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*Special thanks  
to the  
Budget Committee  
and  
Budget Preparation Team*

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City Archives

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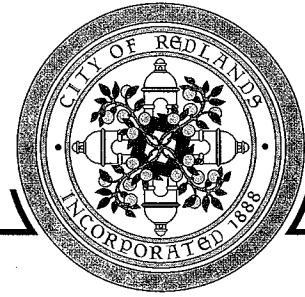
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## CITY MANAGER'S BUDGET MESSAGE

The 2010/2011 Adopted Budget has been by far the most difficult one I have produced in more than two decades of public service. Without question, the decisions made for the coming year will profoundly change the structure of municipal government and the way the City of Redlands delivers services to its residents for many years to come.

While the approaching year's budget challenges are partially the result of a unique set of circumstances in the national and global economy that few could have predicted, the unsavory truth is the City of Redlands is finally reaping the disastrous result of substantial structural budgetary deficiencies dating back at least 15 years.

In the 1990s the City justifiably took on additional expenses to increase salaries and benefits, especially in the public safety sector. Even today, City of Redlands employees' pay and benefits have just reached the median of the surrounding survey area in the public safety sector and are still below median for non-public safety employees. Unfortunately, new ongoing revenues were never identified or developed to sustain those actions.

As efforts were made to bring salaries and benefits closer to the median, and add or enhance services, seemingly favorable fiscal circumstances and one-time windfalls allowed the City to ride an economic bubble, cobbling together operational budgets while ignoring or delaying addressing critical structural issues. Now it is left to this City Council and this administration to accomplish the substantial adjustments that must be made to put the City back on sound financial footing.

Some of the necessary adjustments were addressed as early as April 2007 with passage of a balanced budget ordinance and establishment of a reserve policy. However, it was the Fiscal Year 2009-2010 budget process that ultimately exposed the cumulative impact of previous decisions. That year, the City's revenues plummeted by more than \$5 million, largely through devastating drops in retail sales and property values, loss of fees due to anemic or non-existent development, and considerably lower franchise fees. Added to that, the State of California addressed its own budget crisis on the backs of cities and counties, taking more than \$2.3 million from the Redlands Redevelopment Agency in Fiscal Year 2009-2010, and another \$500,000 take by the State planned for Fiscal Year 2010-2011. In response, a budget plan that had already been heavily pruned to reflect increased

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operational efficiency with minimal service reduction was further stripped and expenses drastically reduced. A great deal of credit is due every City employee from the Executive staff on down, who voluntarily agreed to the equivalent of two weeks unpaid furlough since Fiscal Year 2008-2009 and continuing through Fiscal Year 2011-2012.

As we consider the financial picture for Fiscal Year 2010-2011 we have been left with little choice but to address the City budget's structural issues head on and consider how the City can continue to deliver those essential services that residents and local businesses require. Were the City even to find an immediate new revenue source up to \$4 million annually, it would be difficult at best to become fiscally secure and responsible without significant structural changes this year and again when current employee furloughs have expired.

Based on very conservative revenue estimates and expenditure requests per original departmental budget submissions for Fiscal Year 2010-2011, we forecasted an \$8.9 million gap in Fiscal Year 2010-2011 between sources and requirements. In order to close that gap, every department was directed to reduce their Fiscal Year 2010-2011 Budget requests by an amount equivalent to 12% of the Fiscal Year 2009-2010 expenditure estimates. The 12% target resulted in approximately \$6 million toward closing the \$8.9 million gap through a combination of expenditure reductions, revenue increases and/or transfers. The Fire Department was unable to meet this target by a significant amount. Even considering these substantial reductions, the City would still have been left with an approximate \$2.7 million gap, including a contingency of \$400,000 which I had included in the Proposed Budget for potential additional revenue shortfalls. Consequently, I asked each department to find additional reductions of 5%. The following three options were proposed to the City Council during the budget process:

- Option 1 presumes a 12% or equivalent reduction from each department and an additional 5% or equivalent across-the-board reduction, resulting in a total 17% or equivalent reduction from each department from their Fiscal Year 2009-2010 expenditure estimates. Efforts to include a \$400,000 contingency for further revenue shortfalls were discarded under this option due to already severe reductions.
- Option 2 presumes a 12% or equivalent reduction from each department, leaving an approximately \$2.7 million gap and includes the \$400,000 contingency for potential additional revenue shortfalls. That gap would be closed using a loan from one of the following sources or a combination of sources: Enterprise funds, General Fund Reserves and/or the Unreserved Fund Balance.
- Option 3 presumes a 12% or equivalent reduction from each department, leaving an approximately \$2.7 million gap and includes the \$400,000 contingency for potential additional revenue shortfalls. Plans to close that gap would rely on passage of a local sales tax increase on the November



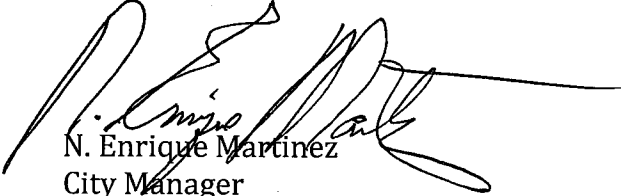
ballot, with the increase taking effect in January. Should the voters defeat the sales tax increase, or the Council choose not to place it on the November ballot, we would revert to one of the first two options.

Option 1 was my recommended alternative to address the City's structural deficit, assuming full participation by all departments and absent identification of any new revenue source. It would have required the elimination of currently filled positions, including 57 full-time positions and 15 part-time equivalent positions, as well as the elimination of another 9 unfilled or soon-to-be vacant positions. Options 2 and 3 provided for the elimination of fewer positions, but left a structural deficit.

After presentations by staff, with questions from the Council regarding service impacts resulting from the various options, Council members opted to begin with Option 2 and the 12% reductions as a starting point. This option, which left a Fiscal Year 2010-2011 shortfall of \$2,651,183, was modified by the City Council to include additional sources of \$ 2.8 million and additional requirements of \$1 million, resulting in an Adopted Budget approved by the City Council that left a remaining Fiscal Year 2010-2011 shortfall of \$877,366 and an estimated General Fund ending unreserved fund balance of \$3.7 million at June 30, 2011.

Recommendations from staff and decisions made as part of the Fiscal Year 2010-2011 budget process have been painful ones, with difficult decisions still left to be made. While every level of City staff has worked to provide the highest quality service to the public despite severe constraints, remaining cognizant of the duty the City has to provide essential core services, changes such as those included in the Fiscal Year 2010-2011 Adopted Budget and those that may ultimately be required, will not be achieved without profound reductions in the level of service to which residents and local businesses have been accustomed.

I wish to express my pride in the professional Executive and support staff who have been instrumental in maintaining the high level of City services and increasing the City's reserves since 2007 and who continue to keep service to the residents of Redlands as their highest priority despite an overwhelmingly difficult economic climate.



N. Enrique Martinez  
City Manager