

CITY OF REDLANDS CALIFORNIA

2009 - 2010 ADOPTED BUDGET

Redlands City Council Members

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*Special thanks
to the
Budget Committee
and
Budget Preparation Team*

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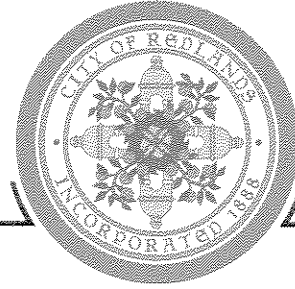
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CITY OF REDLANDS ADOPTED BUDGET

Choices made in developing the Fiscal Year 2009-2010 budget were once again guided by the City Council's priorities as defined by its goals and objectives, the City's Financial Management Plan, and community input. However, these priorities and objectives were tempered by the realities of an economy that is the worst seen in many years. Concerns about the economic downturn and decline in revenues prompted the City Manager and department staff to take action early in Fiscal Year 2008-2009 to address the anticipated decline in revenues for Fiscal Year 2008-2009 and to lay the groundwork for the Fiscal Year 2009-2010 budget.

During Fiscal Year 2008-2009, the City Manager and staff made reductions in expenditures and explored opportunities to increase resources into the General Fund. Reductions in expenditures, in part through vacancies, City-wide furloughs and "Golden Handshake" early retirements, as well as less of a decline in revenues than originally projected, and the infusion of one-time monies from bond proceeds, result in an estimated \$6.1 million in fund balance for the year ended June 30, 2009, with sources over requirements of \$1.2 million.

With the economic downturn and decline in revenues not expected to improve significantly in Fiscal Year 2009-2010, departments were instructed to submit their budget requests at existing service levels, maintaining the same level of reductions as in Fiscal Year 2008-2009. Furloughs at the same level as required in Fiscal Year 2008-2009 were to be included and vacancies were to be excluded pending further review by the City Manager. Further, no requests were to be submitted for increased service levels or capital needs unless they resulted from legal or other requirements of the City and departments were encouraged to present ideas for revenue enhancements, staff reductions, departmental reorganization and/or out-sourcing of services.

The 2009-2010 Budget, as presented, maintains the decline in revenues at slightly more than the decline estimated to be realized in Fiscal Year 2008-2009. Revenues were originally estimated to decline in 2008-2009 by as much as \$5.5 million, with \$4.7 million expected in the categories of property tax, sales tax, motor vehicle fees and development fees, and another \$800,000 in other categories. Final projections resulted in an overall shortfall in revenues estimated at \$4.2 million. Revenue estimates for Fiscal Year 2009-2010 project a further decline of approximately \$322,000.

Estimated expenditures for Fiscal Year 2008-2009 are \$50.7 million, a reduction of approximately \$3.5 million from the original budget. Fiscal Year 2009-2010 expenditures are estimated at \$50.5 million, a decrease of approximately \$235,000. These expenditures include reductions for furloughs (\$1.1 million), net savings from early retirements of \$653,000, and vacancies, primarily in the Police department, but also include contractual salary and benefit increases of approximately \$1.4 million for the Public Safety and Civilian Safety bargaining units. Additional reductions of \$711,915 in various departments were

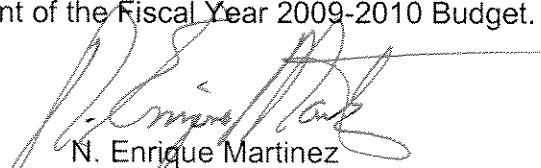


approved by Council prior to budget adoption. Despite the net reduction in expenditures from Fiscal Year 2008-2009 to Fiscal Year 2009-2010, a budget gap of \$1.8 million remained providing a clear indication that the City requires a new revenue source or further reductions to balance its budget, not only for Fiscal Year 2009-2010, but in future years.

One option recommended by the City Manager to provide an additional revenue source to the General Fund was to have the City lease its water and wastewater facilities as allowed by the Public Utilities Code per a resolution adopted by the majority of the City Council and to receive annual lease compensation payments sufficient to meet the budget gap. Furthermore, the City Manager recommended that the City Council not use reserves to balance the City's budget because of the uncertainty of economic recovery in the short-term and the impacts to the City from the State's budget crisis, including a proposal by the State to "borrow" 8% of the City's property taxes, or \$1.8 million, which is not included in the Fiscal Year 2009-2010 Budget. Ultimately, three reduction scenarios were also presented to Council for consideration.

Both the recommendation to lease the water and wastewater facilities and a majority of the alternative budget reductions were rejected. The Council, by a 4/5 vote, approved a motion to "balance the Fiscal Year 2009-2010 Financial Sources to Requirements by allocating \$1,788,085 from the General Fund Reserve with the goal to balance the current year budget without the use of those reserves," essentially utilizing unreserved fund balance. Council directed the City Manager and staff to attempt to find reductions in this amount during Fiscal Year 2009-2010. The City Manager and staff are committed to continuing to look at service methodologies and cost-effective restructuring to maintain sufficient levels of service to the citizens of Redlands. However, failure to secure an additional on-going source of revenue will result in cuts so deep that maintenance of adequate service levels will be greatly compromised.

Thank you to the Executive Team and to the members of each employee group for working together and sacrificing throughout Fiscal Year 2008-2009 and for making the difficult choices necessary in the development of the Fiscal Year 2009-2010 Budget.



N. Enrique Martinez
City Manager