Budget Plan 2009-2011
City of Atascadero

City Staff are developing revenue and expense projections for 2009-10 and 2010-11. Currently Staff anticipates a gap of approximately $3.5 million for both 2009-10 and 2010-11.

The City’s team of City Council members and employees has maintained a conservative financial strategy for the last 12 years. This strategy has resulted in a fiscally sound organization with appropriate reserves. The Council and employees have planned for minor and short-lived economic downturns. The current economic crisis plaguing the country is far worse both in timing and intensity than anyone prepared for. This budget plan describes the framework how the City will deal with the $3.5 million gap caused by the current fiscal crisis.

Spending Reductions - Anticipated reductions are targeted at $2.1 million. Staff has already implemented $1.1 million in reductions.

- Operations – Each department is reducing operating services and supplies budgets by an average of about 5%. This, in conjunction with other identified saving and program cuts, has produced savings of approximately $400,000.
- Staffing – A hiring chill is currently in place. Approximately $700,000 in annual saving has been produced as a result.
- Staff is investigating a variety of operational and staffing reductions producing an additional $1 million in savings.

Revenue Increases - New revenues of $100,000 are currently anticipated through a service fee update. Service fees such as DUI fees, planning fees, construction permits, and Zoo admissions are being reevaluated to ensure the revenues are in alignment with escalating costs. If less new revenues than that are realized, additional expense reductions will be required; alternately, if more revenues than that are realized, fewer reductions are required.

- Explore revenue enhancements such as sales tax increases, assessments or special taxes
- Ensure fees for programs are at appropriate levels.
Stimulate Local Economy - Programs to stimulate the local economy are in progress. These types of programs have historically had a multiplier effect on investment return and are thought to develop economic strength in the community.

- Local Stimulus Program
- Streetscape improvements, façade program, marketing program and others developed and/or implemented
- Building permit and review quicker

Expedite New Commercial - Anticipated revenues are included in the budget assumptions, if projects do not materialize, then new projects or additional reductions will need to be identified.

- Tractor Supply
- Del Rio project
- Colony Square
- West Front project
- Downtown development
- Other projects which provide retail sales or transient occupancy taxes

Pursue State and Federal Funding - These would be new programs offsetting current expenditures potentially lessening the required expense reductions or the use of reserves.

- Stimulus funding
- Program reimbursements
- Partnerships with other government agencies

Use of Reserves - Anticipated use of $1.4 million to offset gap

- Use $1 million from General Fund Reserves
- Defer $400,000 funding of the Building Replacement Reserve for two years

Summary - The expected ongoing operational gap of $3.5 million for the next two years is of significant concern. With a General Fund budget of less than $20 million, closing the gap of this size cannot be done easily. Staff has already identified $1.1 million in expenditure cuts through tactical use of ideas such as hiring chills, the policy of no new or expanded programs, and critical analyses of budgets and operations.
Weekly update tools such as the staff budget meetings and employee newsletters allow the latest budget news to constantly filter throughout the organization. This keeps the information and savings/revenue ideas continuously flowing. Great ideas are coming forth from the folks on the front line such as reevaluating job descriptions and department boundaries, and even limiting contract services to cut costs and keep City workers employed. On inquiries from many employees, staff is even looking at voluntary furlough and early retirement incentive programs. No stone will be left unturned in the effort to produce a tight but smart budget plan. Each department is being evaluated for services that can be reduced or eliminated, lowering anticipated expenses. Revenue and expense numbers are being refined as staff continues to uncover various other options to meet the additional $1 million in expenditure cuts. There is no question that these cuts will affect the organization and its services to the community. However, all actions that will be taken will be strategically selected as those that would have the least severe impact on the City as a whole.

The remaining $1.4 million of the gap will be closed with the use of reserves, consistent with Council’s Strategic Plan. Staff continues to monitor reserve levels and is projecting cash flows well into the future. Over and over again, the most successful management tools of crises seem to be the continued monitoring situations and revision of strategies as new information becomes available. Staff will recommend necessary updates as new data is collected on revenues and as the economic climate evolves.