2009-11 Financial Plan

BUDGET INSTRUCTIONS

Another very tough budget season that would be much worse without Measure Y revenues

January 20, 2009

CITY OF SAN LUIS OBISPO

2009-11 Financial Plan
BUDGET INSTRUCTIONS

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OVERVIEW

The purpose of these instructions is to set forth the budget-building tasks ahead of us in helping the City Manager present the 2009-11 Financial Plan to the Council for their consideration and approval. In accordance with the budget principles set forth below and the goals set by the Council, our job is to build a budget that:

- Is fiscally responsible and balanced.
- Preserves core services and adequately maintains existing facilities.
- Responds to Council goal-setting.
- Links what we want to accomplish for the community over the next two years with the resources necessary to do so.

This is much more than just a "number crunching" exercise.

As we go about the detailed tasks ahead of us, it's important for us to keep in mind that preparing the budget is not just a number-crunching, bean-counting exercise (although achieving our goal of producing a fiscally responsible budget makes these an important aspect of this process).

But rather, it's the primary tool available to us in translating the many hopes and aspirations of our community—as expressed in a myriad of policy documents and in many other more or less formal ways—into actual services that count on a day-to-day basis. Let's keep this in sight as we prepare our departmental budgets.

CHANGES FOR 2009-11: QUICK OVERVIEW

The good news: there are no significant changes from 2007-09 – with one notable exception: preparation of budget reductions options as possible budget-balancers in 2009-11 will once again be part of our task.

We will continue with budget request templates that align with our project management "checklist;" and we are going to continue using shared files in avoiding the "version control" problems we experienced in prior years. We have already begun use of this approach in earlier budget planning documents, and it seems to be working.

*Limited Printing of Budget Instructions***.** As in prior years, the Budget Instructions will be placed on the City's T:Drive and Intranet. If Departments want hard copy versions, they should let Finance know how many copies by January 22, 2009.

GENERAL FISCAL OUTLOOK

The Very Short Story

Just two years ago, we characterized the City's fiscal outlook as the best in many years, largely due to the passage of Measure Y combined with an improved local economy, structurally balanced budget, strong beginning financial condition, absence of the threat of more State budget takeaways and stable labor costs.

Unfortunately, this is not the case today. While Measure Y revenues continue to be a bright spot – in fact, without them we would be facing a dire fiscal situation instead of "just" a very tough one – all of the other bright spots have darkened.

> **General Fiscal Outlook**
>
> *Another very tough budget season that would be much worse without Measure Y revenues*

Key Actors in our Fiscal Story

There are several, but the most significant is the largest economic downturn since Great Depression. This results in declines or tepid growth in key revenues while costs – without corrective action – continue to grow.

Results of Five-Year General Fund Fiscal Forecast. As discussed with employees at the City Manager's recent "State of the City" presentations, the City continues to face a very tough fiscal outlook. The recently prepared five-year fiscal forecast for the General Fund shows an annual gap of $10.4 million in 2009-11. As reflected below, this would be about $16 million per year without Measure Y revenues.

The forecast results are driven by its key assumptions:

■ Funding day-to-day service at current levels.

■ Capital improvement costs based on 2007-09 two-year average (about $8.3 million per year).

■ Declines or tepid growth of key revenues, with a few additions to the "base" from new sales tax and transient occupancy tax outlets.

■ Operating cost increases of 2% in 2009-11 from the 2008-09 base budget.

■ Continued Measure Y revenues of about $5.6 million per year.
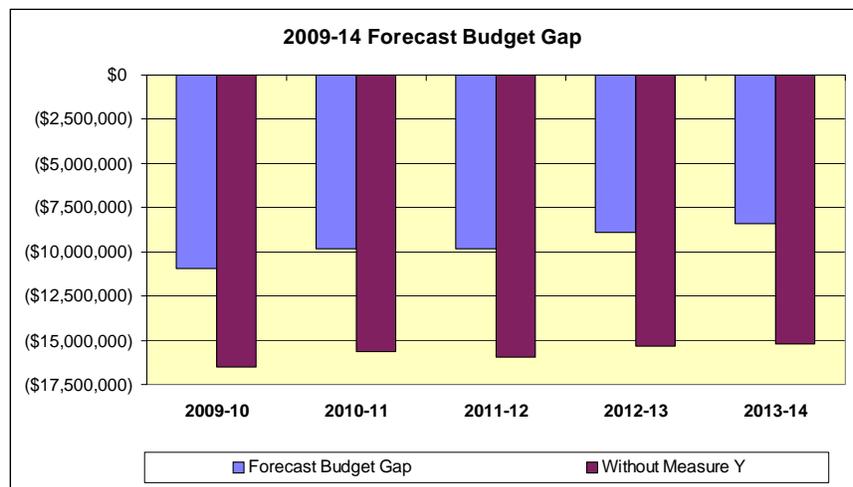
- No State takeaways. This is a significant assumption but not an unreasonable one. However, it reinforces the need to maintain prudent reserves in case this happens: it's our "first line of defense."

So, Can We Afford New Initiatives?

Conceptually, the answer is "yes," because this is a question of priorities, not fiscal capacity. However, given that we are facing a gap of at least $10.4 million annually in 2009-11 in simply continuing the operating programs and capital programs in place today, funding new initiatives will be very difficult, since it will only make the gap we have to close that much larger.

Stated simply, our challenge over the next several months will not be about "which new community goals should we accomplish with our added revenues?" But instead, how do we maintain core service levels, infrastructure and our fiscal health given the difficult financial challenges facing us?

Summary

As reflected in the recent forecast, we are again facing a very tough fiscal outlook, with a projected gap of $10.4 million annually in 2009-11 if all we do is maintain current service levels. And based on the assumptions underlying the forecast for new revenue outlets and contained costs, this is probably as good as it gets – and it can easily get worse.

However, just because resources will be more limited than in recent years, doesn't mean we don't need to plan for the future. In fact, it is just as important—perhaps more so—to clearly lay out our needs in leaner times, evaluate options, assess priorities and make allocation choices wisely based on our highest priority needs.

BUDGET PRINCIPLES AND STRATEGIES

General Strategies

There are six basic components to balancing the 2009-11 Financial Plan:

- Limiting operating cost increases and reviewing service levels for expenditure reduction opportunities.

- Developing a capital improvement plan (CIP) that is the lowest cost possible while reasonably maintaining our *existing* infrastructure and facilities.

- Considering new revenue opportunities as allowed under Proposition 218.

- Making strategic use of available fund balance.

- Identifying organization-wide cost reduction opportunities.

- Developing operating budget reduction options.

As discussed below, these general strategies fall into two categories: shorter-term, "Phase 1" activities as part of the 2009-11 Financial Plan process; and longer-term "Phase 2" activities we should also consider as part of our long-term fiscal health goals.

Phase 1

Operating Cost Strategies

Detailed Line-Item Review. While we never want to "miss the forest for trees," it's important to remember that forests are ultimately made-up of individual trees. This means that all operating budget line items need to be fully thought-through and supported. We have been very fortunate in the past that the Council and the community have focused on policy issues in the budget, and not on the line item detail. This is *not the norm* in most California cities, and the only way to retain the trust that has been given to the staff in this area is to continue to earn it. In short, the best way for us to ensure that the Council and community remain focused on policy issues, and not the line items, is for us to act internally as if they were.

The primary responsibility for ensuring that the "budget trees" make sense rests with the operating departments, and more specifically, with the department heads. To assist the departments in this effort, the Budget Analysts will be working closely with the departments in reviewing line item detail, especially the supporting documentation for line items in excess of $5,000. However, it is important to stress that responsibility for producing a fiscally responsible, fully-supported budget rests with the department heads, not with the budget review staff.

Hold-the-Line on Staffing. The single highest operating cost in the City's budget is for staffing: in the General Fund, which represents about 80% of operating costs. In short, the only way to truly control our operating costs—so we can appropriately respond to new needs while preserving current service levels and adequately maintaining our infrastructure—is to control our regular staffing costs. This means that unless there are compelling reasons – such as responding to Council goal-setting – the City Manager will not recommend any regular staff additions to the Council as part of the 2009-11 Financial Plan, in either the General or Enterprise Funds.

CIP Strategies

As noted above, it is our goal to develop a CIP that is the lowest cost possible while reasonably maintaining our *existing* infrastructure and facilities to the maximum extent possible. The CIP Review Committee will have the lead responsibility for recommending what this means to the City Manager.

Post-Proposition 218 Revenue Options: Very Limited (and Unlikely)

Every Financial Plan since 1991 has required Council or voter approval of new revenues in order to balance it. With the new revenues adopted by the Council in prior Financial Plans, there are very few remaining revenue options that can be implemented by the Council. (And if these were easy to do, we probably would have done them already; and at this point, they would all almost certainly require changes to our user fee cost recovery policies.)

Strategic Use of Fund Balance

We are likely to enter the 2009-11 Financial Plan with a General Fund balance that is at our minimum policy level of 20%. Strategically using reserves will be important given the many fiscal uncertainties facing us. The forecast does not make any assumptions about money that the State of California might take from cities as it tries to balance its budget. Reserves will be an important first line of defense if the local economy worsens or if we experience State takeaways.

Operating Cost Reduction Options

Due to the budget gap facing us, we will need to develop operating cost reduction options. The general strategy for closing the gap, including the role of operating cost reductions, has previously been distributed and is provided in the Appendix.

Phase 2

In the longer term, there are other key strategies available to us in preserving service levels, achieving CIP goals and maintaining our fiscal health. These include:

■ Organizational development and productivity improvement efforts.

■ Economic development.

While these are important to consider in preserving our long-term fiscal heath, these strategies are not likely to play a significant role in balancing the 2009-11 budget due to their longer-term nature.

BUDGET PROCESS

Simple as ABC

As detailed below, departments have three work products to produce:

A. Capital Improvement Plan (CIP) Project Requests
B. Operating Program Documentation and Significant Operating Program Requests
C. Work Programs for Accomplishing Major City Goals

DEPARTMENTAL WORK PRODUCTS
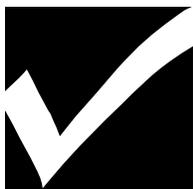
Begin with the end in mind is the advice of Steven Covey, author of *The Seven Habits of Highly Effective People*, so the following is an overview of what departments need to prepare and submit for the 2009-11 Financial Plan (submittal contents are more fully described and examples provided in the referenced sections):

The ABC's of the City's Budget-Building Process

A. Capital Improvement Plan (CIP) Projects

    1. Individual CIP project requests

Due Electronically on the "T" drive by Noon on Monday, February 2

B. Operating Programs

    1. Budget worksheets detailing requested line item amounts (*excluding* significant operating program changes).
    2. Supporting documentation for all staffing line items.
    3. Supporting documentation for non-staffing line items.
    4. Significant operating program changes.
    5. Operating program narratives.
    6. Departmental operating program reduction options.

Due Electronically on the "T" drive by Noon on Monday, March 9

If applicable, General Fund departments with revenue responsibilities are responsible for developing *draft* revenue projections by March 9. Due dates for enterprise fund revenue working capital projections (Water, Sewer, Parking, Transit, Golf and Whale Rock) will be determined by scheduled Council review date.

C. Work Programs for Accomplishing Major City Goals

    1. Departments are responsible for preparing work programs for the Major City Goals assigned to them resulting from Council goal-setting.

Due Electronically on the "T" drive by Noon on Monday, March 9

ELECTRONIC TEMPLATES: ON THE T:DRIVE AND INTRANET

All of the "templates" referenced in these instructions are available on the City's T:Drive in the Budget Folder for 2009-11 and on the Intranet under "Budget Info" on the home page side bar. (These instructions are also there.)

FINANCIAL PLAN POLICIES

The City's budget is developed under clearly articulated policies that form the fundamental basis and foundation for financial decision-making. On December 16, 2008, the Council reviewed our current Financial Plan policies and approved them without any changes for preparing the 2009-11 Financial Plan. As the budget-building process goes forward, we may find opportunities for changes. As part of this process, operating departments are encouraged to offer their own suggestions for changes or additions. The final policies will be set forth in the Financial Plan document itself (Section B—Policies and Objectives).

BUDGET UPDATES

As the Financial Plan process goes forward, there will undoubtedly be updates to the budget-building tasks outlined in these instructions. These updates will be sent to Department Heads, who will be responsible for coordinating and distributing these materials to their staff.

To stay on top of budget preparation questions, starting on Thursday, February 12, the Budget Review Team will hold weekly briefings with department fiscal officers (scheduled for Thursdays at 3:00 pm) through March 5. Based on our past experience, sharing common problems has been very valuable in preparing department budgets.

BUDGET CALENDAR

The budget calendar for preparing, reviewing and adopting the 2009-11 Financial Plan is provided in the Appendix. All of these key dates have already been electronically calendared for Department Heads, Fiscal Officers, CIP Review Committee and Budget Review Team. However, staff should review their "e-calendars" to ensure that these dates and times have been correctly scheduled for them.

BUDGET ROLES AND RESPONSIBILITIES

Budget roles and responsibilities for Financial Plan preparation, adoption and implementation are discussed later in these instructions for the:

- Council
- Council Advisory Bodies
- City Manager
- Department Heads
- Department Staff
- Department Fiscal Officers
- Budget Review Team

- Budget Analysts
- CIP Review Committee
- General Fleet Coordinator
- Information Technology Division
- Finance Division
- Community Development Department
- Public Works Department

Budget Preparation Tips

- *Chat with Folks*. Communicate with review groups and departments as you prepare your budget rather than after you complete it. You will receive good advice beforehand and make the process a lot smoother for everyone.

- *Council Advisory Bodies.* Some budget requests may appropriately require the review of a Council advisory body. <u>This is the department's responsibility to coordinate within the context of the due dates set forth in these instructions—so be sure to plan for this accordingly</u>.

About Deadlines and Complete Work

Deadlines are assigned to accomplish the end-work that needs to be done to produce a budget that can be reviewed by the Council and community in a reasonable manner, and can be adopted by the Council on June 16, 2009. A successful budget process is the result of a highly coordinated team effort. Be considerate of your fellow teammates and respectful of the assigned deadlines, and we will have a smooth process for all involved.

In Closing, Remember . . . .
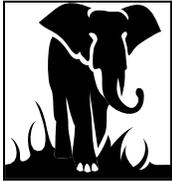
There is only one way to eat an elephant.

And this is the best way to approach building your budget. If you start now, and take it one step (bite) at a time, you'll do just fine.

Budget-Building Task A
CAPITAL IMPROVEMENT PLAN

OVERVIEW

The CIP and the Budget Process

Stated simply, the purpose of the City's budget process is to link what we want to accomplish for the community with the resources necessary to do so. Our budget process does this by:

- Clearly setting major City goals and other important objectives.
- Establishing reasonable time frames and organizational responsibility for achieving them.
- And then allocating the resources required for implementation.

The City's Capital Improvement Plan (CIP) for the next four years is an important part of this goal-setting and resource allocation process; and for that reason, starting work on its preparation is one of the first steps in building the budget for 2009-11.

Key Process Highlights and Changes from the 2007-09 Financial Plan

There are no *significant* changes from 2007-09 in preparing the CIP for the 2009-11 Financial Plan. However, the following summarizes key process highlights and a few "tweaks" based on a review of the 2007-09 CIP budget process:

- *Continue with Early CIP Due Date.* Several years ago, in order to present the budget-balancing strategy to the Council in early April, we moved up the CIP budget due date by about one month. Along with helping prepare the budget-balancing strategy on a timely basis, there are several other key advantages to this approach:

  - It avoids the "budget crush" of preparing all budget submittals – such as major City goal work programs and complete operating program packages (narratives, significant change requests, line item detail and supporting documentation) – at the same time in mid-March;

  - And allows more time for Engineering resource analysis and CIP Review Committee evaluation before the City Manager finalizes the Preliminary Financial Plan.

  For this reason, we are continuing early submittal of CIP budget requests, which are due by **February 2, 2009.**

- *Continue with Even Earlier Submittals of Fleet Replacement Requests.* Based on our review of the 2007-09 CIP budget process, one of the "tweaks" for 2009-11 is an earlier submittal of fleet *replacement* requests. (Requests to *expand* the fleet will continue to be submitted with all other CIP requests on February 2). These were due on **December 1, 2008**. Responsibilities for preparing fleet replacement requests are as follows:

Fleet Replacement Request Responsibilities

Fire	Prepares fleet replacement budget requests for the Fire Fleet.
Utilities	Working closely with Public Works, prepares fleet replacement budget requests for Utilities vehicles and equipment in the General Fleet.
Public Works	Prepares fleet replacement budget requests for the Transit Fleet; and working closely with the using department, fleet replacement budget requests for all General Fleet vehicles and equipment other than those used by Utilities.

Working closely with the applicable fleet coordinator, preparing requests for fleet *expansions* continues to be the responsibility of the user department.

■ *Accelerated Draft Reviews by Engineering, Information Technology (IT) and General Fleet Coordinator.* Before submitting the final CIP on February 2, departments are responsible for submitting *draft* requests as follows by **December 1, 2008.** This earlier due date was one of the key recommendations of the 2007-09 budget process review. Its purpose is to provide Engineering with added time to review draft CIP requests. However, departments have the same amount of time to prepare requests as they did in 2007-09 (about 2 ½ months), since we are starting the process a month sooner.

Draft Review Responsibilities	
Engineering	All construction-related projects.
Information Technology	All IT-related projects.
General Fleet Coordinator	All General Fleet *expansion* requests.

For construction-related projects, the City Engineer will be responsible for assigning project engineers and scheduling meetings with departments before final CIP budget requests are due to Finance. For IT and fleet-related requests, the requesting department will be responsible for scheduling reviews with the IT Manager and the General Fleet Coordinator as needed.

■ *Detailed Implementation Schedules for Construction Projects.* The Preliminary CIP will be issued on May 28, 2009. While the Council will undoubtedly make changes to this as part of the budget process, past experience shows that these are not likely to be extensive. Accordingly, Engineering will begin a detailed analysis of recommended implementation schedules from mid-May to June 2009 for each of the project phases funded in 2009-11 for all construction-related projects. The CIP Review Committee will review these implementation schedules in July 2009 (along with public art recommendations).

■ *Shared Documents.* Departments will save their requests to shared file folders on the "Team Drive (T)" by the due date rather "submitting" requests in either "hard copy" or electronically via email. All revisions will be made to this one document. Hopefully, by always working from only one document, we will avoid the "version control" problems we had in prior years. While this shared-drive, one-version approach worked well in 2007-09, we will make the two changes recommended in the budget process review:

- All changes to the initial CIP request will be made in "track change" mode.

- All request documents will remain on the T-Drive for three Financial Plan cycles (six years, at which point they will be permanently deleted in accordance with the city's records retention policy). After CAO approval, they will be "read-only" protected to prevent changes (with the "track change mode" in place) and ensure better version control. The approved version, with the changes accepted, will be maintained on the Finance & IT group drive.

■ *Responsibility for Preparing Building Maintenance and Improvement Requests*. The need to better clarify roles for building-related requests surfaced from the budget review process, resulting in the recommendation that while the operating departments and Public Works should always work closely together in preparing building-related requests:

- Operating departments (in consultation with Public Works) are responsible for preparing "tenant improvement type" requests for maintenance/improvements within a facility.

- Public Works is responsible for preparing requests related to the facility itself.

■ *Project Manager.* As recommended in the budget process review, if Public Works will be responsible for coordinating design or construction during the first two years of the proposed project, it should be listed as the Project Manager.

■ *Consolidating Requests.* We will continue to organize requests by function rather than by department. However, as discussed below, in those cases where there are multiple functions in one basic request (such as roofing repair or repainting for several facilities), these can be consolidated in one request under General Government. This can include enterprise fund projects, with the funding sources noted.

■ *File Naming Convention.* As discussed below, the only information that the file name needs to provide is the project title, which should closely mirror (cleverly enough) the "Project Title."

■ *Surprise, Surprise: No Changes to the CIP Request Template*. As requested by departments during the budget process review, there are no changes to the CIP request template, other than to update it for the new Financial Plan period.

Organization

The CIP includes funding for all construction projects (and related costs such as study, design, acquisition and construction management), land purchases and equipment (additions or replacements) that cost more than $15,000 per project or item. (Capital purchases of $15,000 or less are included with the operating budget.)

The CIP is a four-year plan organized into the same six functional groupings used for the operating programs:

- Public Safety
- Public Utilities
- Transportation
- Leisure, Cultural and Social Services
- Community Development
- General Government

In preparing CIP project requests, it is important to seriously consider the four-year nature of the plan. Except in very compelling circumstances, projects that were not submitted for 2009-11 as part of the 2007-09 Financial Plan will not be considered for the first two years of the 2009-11 Financial Plan. We want the four year CIP to be truly that: preparing the CIP two years from now should largely mean moving-up the 2011-13 projects and adding two more years (2013-15) of projects. In short, including projects in years three and four matters; and as discussed below, this will be a major factor in evaluating CIP requests.

Note
"Moving up" 2011-13 projects two years from now will still mean submitting CIP requests for them as part of the 2011-13 Financial Plan to ensure that project needs, scope and cost still make sense.

Two-Step Process

As discussed above, we are continuing the concept of an early start on the CIP process and a "two-step" review process that includes a draft review process by engineering, IT or the general fleet coordinator (as applicable) before "formal" submittal of CIP budget requests. Creating this "two-step" process was in response to the following concerns:

- These folks need to be involved early in the process: for effective project "execution" after approval by the Council, their input is needed at the front-end of the review process, not at the end of it.

- In some cases, even if the project was submitted for draft review, their comments were not reflected in the final CIP request.

- Costs were not realistic.

- Phasing and scheduling were not realistic.

DRAFT REVIEW PROCESS

Background

The general strategy of the draft review process for construction, information technology and fleet projects is to ensure the following *before* the CIP Review Committee and Budget Review Team consider CIP projects:

- The project is well defined.

- Key tasks such as environmental and regulatory review are fully considered.

■ Project costs are more realistic by better documenting cost assumptions (recognizing that at this stage, many project costs are at a "reconnaissance level" since they haven't been studied or designed yet).

■ Project schedules are more realistic.

■ Adequate support staff resources are available to implement the project.

In short, the role of the CIP Review Committee and Budget Review Team is to prioritize projects in light of resource constraints. It is not to ensure (or uncover for the first time) technical issues such as cost, schedule and coordination with other projects have been considered: this is the purpose of the draft review process with engineering, information technology and the fleet coordinator.

Engineering Review

General Strategy

■ Provide adequate time for request preparation and review.

■ Get everything that needs Engineering review to them on a timely basis—but only the things that they need to review.

■ While continuing to rely on "face-to-face" discussions with project engineers in defining, costing and phasing the project, ensure that departments have thought through key elements of their project – what is and why is it important to accomplish in the next two years – before meeting with project engineers.

■ Be more realistic at the front-end about what can be done over the next two years.

■ Commit to following the guidelines in preparing and reviewing projects.

■ Make it easier for everyone: department staff, project engineers, CIP Review Committee and Budget Review Team.

Assess Need for "Draft" Review by Engineering: A Checklist

If the answer is "Yes" to any of these questions, draft review by Engineering is required:

☑ Is this a construction project? (Will we build something, rather than buy it and install it ourselves?)

☑ Does it modify an existing structure?

☑ If we're going to buy it, will we contract with a licensed contractor to install it?

☑ Is this the study or design phase of what will likely become a specific, directly-related construction project?

> ☞ **Note:** These criteria may not apply to all CIP projects proposed by Utilities, such as water treatment or reclamation plant improvements.

☑ Will engineering staff be involved in designing, managing or inspecting this project—either directly or indirectly by managing subcontractors or consultants?

☑ Will (or could) the project require coordination with other projects?

☑ Are there special time constraints (such as weather, grants or coordination with other projects)?

☑ Will rights-of-way or easements need to be purchased for this project?

☑ Is this a *specific* property purchase? (If so, it may have hazardous material issues).

☑ Will the project be located on or under railroad property? Is it near or in a creek or wetland?

Stated simply, if Engineering has not reviewed—and concurred with the cost and scheduling of proposed construction-related CIP projects—don't submit it.

Preparing "Draft" Requests

These should be prepared using the CIP Budget Request format, which is discussed below.

Multiple Funding Sources

In some cases, CIP projects may be financed from more than one fund. Departments should use the draft proposal process to let others know if they are planning on using an enterprise fund to help pay for a project. While the draft process may be too soon in some cases to do this, you should notify other affected "fund managers" about your funding plans as soon as possible.

Project Phasing: Reasonable Timeframes

Creating reasonable project schedules will help achieve two important goals:

■ Set realistic targets for when projects will be initiated and completed; and improve staff accountability for meeting them.

■ Fund projects that can go forward (and get them accomplished) rather than tying-up funding in projects that can't go forward.

To accomplish this, the *fastest* project phasing and funding for new CIP *construction* projects is:

■ Study: Year 1 (2009-10)

■ Design: Year 2 (2010-11)*

■ Construction   Year 3 (2011-12)

> You can always phase them slower!

* Two years will probably be needed for this if significant environmental review is required.

Given the "real world" (as well as current Engineering workloads), in no case will construction funding be shown any sooner than Year 2 (2010-11)—even for projects that will be fully studied and designed before the end of 2009-10. There are three exceptions:

■ **Ongoing infrastructure maintenance projects.** This includes work like pavement overlay and sealing; and water and sewer line replacements. Even in this case, consideration should be given to existing workloads: given the projects already funded but not underway, can we really *award* the construction contract for the proposed construction funding in 2009-10 by June 2010?

■ **Major city goals.** Construction funding will be phased in accordance with the work program approved by the Council. *__However, keep in mind that we draft these work programs, and we should follow the above guidelines in doing so.__*

■ **Critical path timeframes.** This includes projects that must go forward on a fast-track due to critical timing issues such as coordination with other planned projects, immediate health and safety concerns, grant requirements or mandates by the state or federal governments. But in the real world, these are few and far between.

Close Coordination with Maintenance Supervisors

Engineering will work closely with Maintenance Supervisors in the draft CIP process. However, Engineering will be the first point of contact in assessing whether Engineering will solely provide project management or if maintenance staff will supplement the Engineering Project Manager.

Information Technology and General Fleet Reviews

The same "draft" request criteria above generally apply budget requests that affect IT or the general fleet. The only significant difference is that the requesting department is responsible for scheduling reviews as needed. Like Engineering review of construction-related budget requests, the purpose of these reviews is to ensure that the final budget submission accurately reflects costs, a realistic schedule and adequate project management resources, whether in-house or contract. In short, if the IT Manager or General Fleet Coordinator have not reviewed your proposed IT or fleet-related CIP project, don't submit it; and if they did not concur with it, this should be noted in your request.

Early Due Date for Fleet Replacement Requests

As noted above, *final* CIP budget requests for *__all__* fleet *replacements* (Fire, Transit and General Fleets) were due by **December 1, 2008**.

The CIP Review Committee met on January 7, 2009 to review replacement requests and make recommendations to the City Manager.

Summary: Preliminary Work Already In-Place

As part of the "Setting the Table" budget workshop with the Council held on November 20, 2008, departments have already started preparing long-term capital plans and General Fund "maintenance-only" CIP projects, which were due on October 20. This translates into a big "jump-start" in preparing draft CIP budget requests.

REVIEW PROCESS AND EVALUATION CRITERIA

Policy Review

A joint team composed of the CIP Review Committee and Budget Review Team will review and recommend CIP projects to the City Manager. Project requests are due by ***February 2, 2009***. Briefings will be scheduled with the CIP Review Committee and the Budget Review Team shortly thereafter to discuss your CIP proposals. After their review, the Budget Review Team will make their recommendations to the City Manager, who is ultimately responsible for presenting a balanced budget to the Council. Department Heads will be fully informed about these recommendations and will have an opportunity to discuss any concerns they may have regarding these recommendations with the City Manager before the Preliminary Financial Plan is finalized.

As noted above, the purpose of this review is ***not*** to ensure (or uncover for the first time) technical issues such as cost, schedule and coordination with other projects: this is the purpose of the engineering, IT and fleet management draft reviews. Its purpose is to prioritize projects in light of resource constraints.

Evaluation Criteria

The CIP Review Team will use the following criteria in evaluating CIP project requests:

■ Does it complete an existing project?

■ Is it mandated by the state or federal government?

■ Is there significant outside funding for the project?

■ Is it necessary to address a significant public health or safety concern that cannot be deferred beyond 2009-11?

■ Is it necessary to adequately maintain existing facilities, infrastructure or equipment?

■ Was it previously scheduled in the 2007-09 Financial Plan?

■ Does it implement a high-priority Council goal for 2009-11?

■ Will it result in significant operating savings in the future that makes a compelling case for making this investment solely on a financial basis? If yes, how can we ensure that these savings will in fact occur?

In mid-February, the CIP Review Committee will prioritize CIP requests and make recommendations to the City Manager accordingly.

Priority Focus

Prior to 2003-05, the CIP Review Committee largely focused on phasing in making its priority recommendations to the City Manager, with highest-priority projects in "Years 1 and 2;" and lower priority projects moved to "Years 3 and 4" rather than deleting them from the CIP altogether. This has the advantage of showing our underlying needs, and avoiding a false sense of security about our ability to fund infrastructure maintenance and improvements in the long term. On the other hand, given our commitment to a four-year CIP and our review criteria that values prior inclusion in the CIP in ranking projects, this may send a misleading signal to departments about the likelihood of subsequent inclusion of "Year 3 and 4" projects in the next CIP.

There can never be any "autopilot" decision-making in the budget process: just because a project is shown in "Years 3 and 4" does not guarantee that it will be funded in the next Financial Plan. This will be assessed at that time based on the City's fiscal condition and other priorities that may have emerged in the interim. On the other hand, inclusion of projects in "Years 3 and 4" should be meaningful: they should have a reasonable chance of being funded in the next Financial Plan, assuming adequate fiscal resources and similar priorities. This is especially true for maintenance-oriented projects.

In short, we want to avoid creating perennial "Year 3 and 4" projects, and thus creating either unrealistic expectations or undermining the credibility of the review process. Accordingly, the CIP Review Committee will take a very discerning approach in reviewing projects, which may result in deleting lower-priority projects rather than simply re-phasing them.

Closing the Resource Loop

After the CIP Review Committee finalizes its funding and phasing requests to the City Manager, Engineering will review the CIP to determine if supplemental Engineering resources will be required to design or inspect projects in accordance with the proposed phasing.

DEPARTMENT CIP SUBMISSIONS

Provided in Appendix A.1 is the CIP project request template. Its purpose is to concisely answer the following questions about the proposed project:

■ **Function.** Which of our six functions is this project related to (Public Safety, Public Utilities, Transportation, Leisure, Cultural & Social Services, Community Development or General Government)? This should be prepared in ALL CAPITAL LETTERS.

> ☛ **Note:** The Function and Request Title are in the "header."

■ **Request Title**. What is a simple, short title for this project? Titles should never be more than *eight* words long and should be prepared in ALL CAPITAL LETTERS.

■ **Project Summary.** What is being requested? This should be one or two sentences long and answer the following questions (think of this as being like the City Manager Recommendation in the Council agenda report):

Doing what, in order to achieve what, will cost what, for what, when?

For example:

- Repaving the Police Station parking lot will cost $50,000 in 2010-11.

- Widening the intersection on the south side of Tank Farm Road at Broad Street will cost $25,000 for design in 2009-10 and $350,000 for construction in 2012-13.

- Resealing and resurfacing City streets in accordance with the Pavement Management Plan will cost $3,500,000 in 2009-10; $3,650,000 in 2010-11; $3,775,000 in 2011-12; and $3,900,000 in 2012-13.

- Replacing one light-pickup truck for the pre-treatment program in accordance with the Fleet Management Program will cost $22,000 in 2010-11.

Distinct Requests for Each Project, But Reasonable Groupings Allowed. Generally, departments should submit individual requests for each distinct project. However, departments may consolidate reasonable groupings of individual projects into one request that have similar objectives, existing situations, goals and policy links, or implementation schedules.

In this case, each project should be adequately described in the request. For projects that are likely to be bid together, this approach is especially encouraged. However, individual projects grouped in this manner will still be assigned unique project account numbers and their progress tracked separately from other projects.

Generally, only projects sharing a similar functional area should be grouped together in this fashion (water and sewer line replacements are likely examples of this). However, in those cases where there are multiple functions in one basic request (such as roofing repair or repainting for several facilities), they can be consolidated in one request under General Government. This can include enterprise fund projects with the funding sources clearly noted.

Sample requests from previous CIP budget requests that combine projects effectively are available from Finance upon request.

■ **Project Objectives.** What will the project accomplish? What are its major benefits?

■ **Existing Situation.** What existing facilities or conditions will be affected by the project? How will this project improve these?

■ **Goal and Policy Links.** How does this project tie to previously adopted goals or policies? Examples include:

- Major City Goal for 2009-11 or Other Important Council Objective

- General Plan (such as the Land Use, Circulation or Parks & Recreation Element)

- Other policy or planning documents such as the Water System Master Plan, Pavement Management Plan, Parking and Access Management Plan or IT Strategic Plan

- Operating Program Goals

- Prior CIP project (reference year)

■ **Project Work Completed.** What studies, plans, designs, acquisitions or construction have already been initiated or completed for this project? What outside funding has already been secured?

■ **Environmental Review.** What level of environmental review will be required for this project? What work has already been completed? Do we foresee significant environmental issues with this project? If we do, you should review it with Community Development before submitting it in order to more fully assess what will be necessary to complete this project in terms of environmental review and possible mitigation.

> **Project Plan Checklist**
>
> While presented in a slightly different format, the CIP request format addresses the "project plan" checklist:
>
> ☑ What is the project **purpose**?
>
> ☑ What is the **scope**?
>
> ☑ What are the **objectives and deliverables**?
>
> ☑ What is the **strategy** – the general approach – that will be used?
>
> ☑ What are the **constraints** that will limit what will be achieved, how and when it can be done, and for what cost?
>
> ☑ What are the key **assumptions** about uncertain information?
>
> ☑ What are the project **limitations**: what will not be resolved even of the project is successful?
>
> ☑ What **tasks** need to be done to complete this project?
>
> ☑ Who are the **project team** members?
>
> ☑ Who are the **stakeholders** that will be affected by this project, favorably and unfavorably?

■ **Project Constraints and Limitations.** What are the constraints that might limit project implementation and success, such as when it can be done and how much it will cost? In short, what are the significant obstacles we can reasonably expect to face in implementing this project, such as the need for:

- Regulatory permits or approval of the project by another governmental agency (or private individual or business).

- Complex environmental review.

> **☞ Practice Tip**
>
> If there are no significant project constraints, limitations or environmental review requirements, simply say so.

- Significant public involvement or coordination issues with business, community or neighborhood groups (see "Stakeholders" below).

- Any other significant stakeholder or special review considerations that will affect project implementation.

- What are the strategies for successfully overcoming these challenges? (*If it's predictable, it's preventable.*) And are there any key issues that will not be resolved even if the project is successful in meeting its objectives and providing its deliverables? If so, what are these?

- **Stakeholders.** Who will be affected by this project – both inside and outside of the organization? Who will probably like it? And equally importantly, who probably won't? What are the strategies for ensuring that stakeholders are involved in a meaningful way? This can be a major planning effort on its own, so be sure to account for this in the study or design phase of the project.

- **Project Phasing, Costs and Funding Sources.** What are the projected phasing, cost and sources of funding for the project over the next four years?

  Phasing by Fiscal Year. Six columns are provided: the approved project budget to-date through the current fiscal year (if applicable); proposed phasing by cost category for the four years covered by the CIP; and total costs. Costs should be phased based on when the contract will be awarded (not when funds will be disbursed).

  Cost Categories. There are eight CIP cost categories that should be reflected in your project request as appropriate:

  - Study (feasibility studies, schematic design, appraisals).
  - Environmental review (EIR's, other environmental reviews).
  - Land and right-of-way acquisition.
  - Site preparation (demolition, hazardous material abatements).
  - Design (final design, plans and specifications, contract plan check, formal cost estimates).
  - Construction contracts.
  - Construction management (contract project management, soils & materials tests).
  - Equipment acquisition (vehicles, computers, phones, furnishings).

  Project Phasing. *As noted above, the* **fastest** *project phasing and funding for new CIP* construction *projects is:*

  - Study: Year 1 (2009-10)
  - Design: Year 2 (2010-11)
  - Construction   Year 3 (2011-12)

Funding Sources. Along with identifying project costs and phasing, this section of the report should also identify funding sources. An "imbedded" Excel spreadsheet is provided if there is more than more than one source. (As with the "Project Costs by Type" table, this can be opened by "double-clicking" on the chart.) However, this "funding source" table should only be used when there is more than one funding source; otherwise, simply state the funding source under the project cost table.

Grant Funding Criteria. CIP projects for 2009-11 should only show grant revenue as a funding source under the following circumstances:

- Ongoing formula-driven, entitlement programs like CDBG, TDA or FTA, where continued funding at a reasonably predictable level is likely. The project request should discuss why the funding source is likely for this specific project.

- The grant application has already been approved, or is sufficiently into the grant review process that its approval is highly likely.

Unless it meets the criteria above, grant funding should not be shown as a funding source for 2009-11. However, if the department believes that a potential grant source may materialize as a significant source of funding for the project, this should be discussed in this section, along with what the process for receiving funding will be, and when it would come "on line" if it materializes. In this case:

- The project may be proposed for 2009-11, but with City funds as the source (with grant funding discussed as a possibility)

- Or presented as a 2011-13 project, with grants shown as the funding source.

Debt Financing. The City's criteria for the appropriate use of debt financing in funding CIP projects are clearly set forth in our *Budget and Fiscal Policies*. To ensure consistency with these, departments should contact the Director of Finance & IT before proposing debt financing as a funding source.

Water and Wastewater Development Impact Fees. If the proposed project will be funded by water or wastewater development impact fees, the percentage allocable to new development should be noted.

■ **Key Project Assumptions.** What are your key assumptions about uncertain information forming the basic building blocks for project planning and execution? For example, what is the basis for cost projections and how are these likely to change? What are your key assumptions for project phasing?

■ **Project Manager and Team Support.** If this project is approved, who will be responsible for ensuring its successful completion? This is most likely someone from the requesting department, but it may be someone from another department. This may change as the project

goes forward, but based on our current organization at the time of the request, who is accountable for getting this work done?

Project Team. What other departments or divisions will provide project support? (Such as Engineering, Information Technology or Fleet Management).

As noted above, if support from one of these three areas is needed, review and concurrence by them is required before submitting your request. For this reason, the request should indicate who from these support groups reviewed your request before it was submitted. In compiling CIP requests for evaluation by the CIP Review Committee and the Budget Review Team, Finance will also distribute requests to the assigned project reviewers.

■ **Alternatives.** What are reasonable alternatives to the project? How could it be re-scoped or re-phased? What are the consequences if no action is taken or if the project is deferred?

■ **Operating Program.** Which of our 75 programs is this project most closely related to? (Such as Police Patrol, Water Treatment or Pavement Maintenance.)

■ **Project Effect on the Operating Budget.** What operating cost areas (most notably current staff resources in developing and managing the project) will be affected by the project during its implementation? What costs will be incurred after it is completed in operating and maintaining it? Will there be any cost savings?

For construction, IT and general fleet-related projects, the reviewing divisions (Engineering, IT or Fleet Management) will be responsible for developing the project management resource requirements based on the draft proposal reviews.

■ **Location Map/Schematic Design.** CIP requests should be accompanied by a location map, site plan or schematic design (8½" x 11" format) whenever this will improve overall understanding of the project. These should be electronically integrated into the request.

Plans and Studies: Operating Versus CIP

When are plans and studies in the operating budget and when are they in the CIP?

■ **Operating Budget.** Plans and studies that guide overall City policies and operations should be included in the operating budget.

■ **CIP.** Master plans and studies whose primary purpose is to guide the design, construction or acquisition of *specific* infrastructure improvements, facilities or equipment should be included in the CIP.

Fleet Addendums

For fleet replacement or expansion requests, additional information is required about the requested unit. The "addendums" for these are provided in Appendix A.2 for *replacements* and

A.3 for *expansions*. These imbedded Excel spreadsheets should simply be copied and pasted into the standard CIP request at the end of the document.

ELECTRONIC TEMPLATES

Templates are available on the T-Drive under Budget Folders/2009-11 Financial Plan/Instructions. (These instructions are also there.). They are also accessible from the City's Intranet under "Budget Info/2009-11 Budget Instructions."

REQUEST SUBMITTALS

As noted above, Departments will save their requests to shared file folders on the T-Drive (under Budget Folders/2009-11 Financial Plan).

Submittals should be saved to the appropriate folder under "Department CIP Requests" as follows (there is also a direct link to this on the City's Intranet):

CIP Budget Submittals: Folder/File Organization

The following summarizes how department CIP request are organized on the T-Drive and where departments should save their budget request files. Two key notes:

■ Each request should be saved as a separate file within the appropriate folder.

■ Folders are organized by function, not by department. On one hand, there is a close alignment between departments and functions. For example, the Utilities Department is responsible for all programs in the *Public Utilities* function; and the Public Works Department is responsible for all programs in the *Transportation* function.

On the other hand, there are a number of circumstances where departments cross functional boundaries. For example, along with *Transportation*, Public Works manages programs in the *Leisure, Cultural & Social Services*, *Community Development* and *General Government* functions. Likewise, Administration manages programs in the *Leisure, Cultural & Social Services*, *Community Development* and *General Government* functions, too. For this reason, some departments will save project request files in a number of folder locations.

📁 2009-11 Financial Plan

   📁 Department CIP Requests

Functional Area/Operation/Program	

📁 *Public Safety*
  📁 Police
  📁 Fire
	📁 *Leisure, Cultural & Social Services*
	  📁 Parks & Recreation
	    📁 Recreation Programs *
	    📁 Parks and Landscape **
	    📁 Swim Center
	    📁 Golf Course
	  📁 Cultural Services
	  📁 Social Services
	
	* *For use by Parks & Recreation*
	** *For use by Public Works*

📁 *Public Utilities*
  📁 Water
    📁 Water Supply
    📁 Water Treatment
    📁 Water Distribution
    📁 Water Admin & Eng
  📁 Wastewater
    📁 Wastewater Collection
    📁 Wastewater Pretreatment
    📁 Wastewater Admin & Eng
  📁 Whale Rock
	📁 *Community Development*
	  📁 Planning
	  📁 Housing
	  📁 Natural Resources Protection
	  📁 Building & Safety
	  📁 CIP Project Engineering

📁 *Transportation*
  📁 Streets
    📁 Pavement Maintenance
    📁 Street Improvements
    📁 Traffic Signals & Lights
  📁 Creek & Flood Protection
  📁 Pedestrian & Bicycle Paths
  📁 Parking
  📁 Transit
	📁 *General Government*
	  📁 Information Technology
	  📁 Geographic Information Services
	  📁 Buildings
	  📁 Fleet Management
	  📁 CIP Reserve

Within each of these folders, there are five separate sub-folders for:

Projects that Require Special Draft Reviews

📁 Engineering Review
📁 Fleet Replacement Review
📁 Fleet Addition Review
📁 Technology Review

Projects that Don't

📁 All Other Projects

File Naming Convention

The budget process review also recommended establishing a standard file naming convention. The following information is already built into the file path by virtue of the folder/sub-folder organization:

- Financial Plan Year (2009-11)
- Type of Request (Operating or CIP)
- Function (Public Safety, Transportation)
- Program (Water Treatment, Bicycle Improvements)
- Project Type (Construction, Fleet, Technology)

Accordingly, the only information that the file name needs to provide is the project title, which should closely mirror (cleverly enough), the "Project Title," while keeping in mind that the total file path cannot have more than 243 characters.

In the past, some file names included information like CIP, 2007-09, account number, FLR, FLA, and in some cases, all or some combination of these – along with an attempt to also describe the project. Again, based on the folder/sub-folder organization, this is not needed: just the project title.

SUMMARY

If approved by the City Manager, these CIP project requests will be compiled as Appendix B to the Preliminary Financial Plan and presented to Council, so in this case the way the request looks—format, clarity, consistency and readability—all count.

Due Date Recap. Your final CIP requests – after they have been reviewed by Engineering, IT or the General Fleet Coordinator if applicable – are due on the T:Drive by **February 2, 2009**.
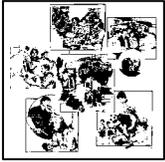
Budget-Building Task B
OPERATING PROGRAMS

OVERVIEW

Operating programs form the City's basic organizational units for delivering services to the San Luis Obispo community. Operating programs are presented in six functional groups in the Financial Plan as follows:

- Public Safety
- Public Utilities
- Transportation
- Leisure, Cultural & Social Services
- Community Development
- General Government

These functional groupings often cross departmental lines and funding sources. For example, programs administered by the Department of Public Works fall into four functional groups:

- *Transportation* for programs like pavement maintenance and transit.

- *Leisure, cultural & social services* for programs like parks & landscape and tree maintenance.

- *Community development* for engineering services.

- *General government* for programs like vehicle and building maintenance.

Further, Public Works' programs are funded through three distinct funding sources (General, Parking and Transit Funds) as well as through reimbursements from other enterprise funds like water and sewer for services such as engineering and vehicle maintenance. By organizing City programs into similar types of services rather than by the department or fund, we can better present what we do to elected decision-makers and the public.

Review Process

Your assigned Budget Analyst and the Budget Review Team will evaluate your operating program submission. Briefings will be scheduled with the Budget Review Team from March 12 to March 18 to discuss your operating budget. Dates and times will be "e-calendared."

After their review, the Budget Review Team will make their recommendations to the City Manager, who is ultimately responsible for presenting a balanced budget to the Council. Department Heads will be fully briefed on these recommendations and will have an opportunity to discuss any concerns they may have with the City Manager before the Preliminary Financial Plan is finalized.

DEPARTMENT OPERATING PROGRAM SUBMISSIONS

Although operating programs are presented by function in the Financial Plan, they are *built* on a department-by-department basis. The following items as described in Appendix B constitute a complete departmental operating program submission:

Line Item Budget Worksheets

We will use Excel in preparing the line item detail for 2009-11. Worksheets for each department's programs will be placed on the "T" drive by January 26.

Provided in Exhibit B.1 is a sample budget worksheet, which provides the following information for each program:

■ Line items organized by object category: staffing, contract services, other operating expenditures and minor capital (individual capital purchases with a life in excess of one year costing between $5,000 and $15,000).

■ Two years of actual cost history for each line item (2006-07 and 2007-08).

■ The original budget for 2008-09 (without carryovers, encumbrances and other adjustments.

Preparation Tips
■ Costs should be rounded to the nearest $100.
■ Do **NOT** include costs for any significant operating program changes.

■ Estimated expenditures through the end of 2008-09.

Note: *This is completed by the operating departments, and is important in estimating our ending fund balance/working capital for 2008-09.*

■ Requested line item budgets for 2009-10 and 2010-11, *before significant operating program changes or expenditure reductions.*

Build the forest from the trees. You should create your budget worksheet so that the information is linked to your supporting documentation. As you update your staffing and non-staffing supporting documentation, this should update your budget worksheet. For help with linking these spreadsheets, contact Finance.

Supporting Documentation: All Staffing Line Items

Finance is responsible for preparing cost projections for the next two years for all regular positions. Staffing budgets detailing salary and benefit assumptions for each authorized regular position for each operating program will be issued to departmental fiscal officers by February 2. The purpose of the template provided in Appendix B.2 is to reconcile your completed budget submittals for staffing costs to the projections provided to you by Finance by adjusting for:

> *It is essential that this schedule be fully and accurately completed.*
>
> Staffing costs are the single largest category of operating costs, accounting for about 80% of costs in the General Fund. Accordingly, it is essential that we have good information on this cost category.

■ Corrections to regular staffing assumptions used by Finance.

■ Transfers of regular staffing costs between programs.

■ All temporary staffing costs (including any contract positions with current contracts that extend beyond June 30, 2009; contract costs beyond this should not be included in this worksheet: they must be requested as a significant operating program change).

■ All overtime costs.

Guidelines for costing any new positions will also be included with the regular staffing cost projections. However, as noted above, except under compelling circumstances (such as implementing a major City goal), no additions to regular staffing will be recommended as part of the 2009-11 Preliminary Financial Plan.

Electronic Template on the T:Drive and Intranet. An Excel template for this is available on the T:Drive under Budget Folders and on the City's Intranet under "Budget Info" on the home page side bar.

Supporting Documentation: Non-Staffing Line Items

Provided in Appendix B.3 is a sample of the supplemental supporting documentation required for non-staffing line items. While departments are encouraged to prepare this kind of documentation for <u>all</u> non-staffing line items, it is *required* for non-staffing line items of $5,000 or more.

As with the supporting documentation for staffing line items, ***it is essential that this schedule be fully and accurately completed***. It is helpful for you to know your underlying assumptions for line item amounts as you monitor your budget during the year; and Finance relies upon this information in researching requests for information during the year from the City Manager, Council and public.

Electronic Template on the Intranet. An Excel template for this is available on the City's T:Drive under Budget Folders and on the Intranet under "Budget Info" on the home page side bar.

General Cost Increase Factors. If you need to make an adjustment for cost-of-living factors, 2% may be used for this purpose.

Utility Cost Factors. Utilities will provide general cost increase factors for water, sewer, trash, gas and electric by February 5.

Updating After Council Budget Approval. After the Council adopts the Financial Plan, Finance will update the supporting documentation as needed to conform with Council-approved amounts.

Significant Operating Program Changes

Supporting documentation is required for all significant operating program changes that exceed $5,000 for:

■ Major service curtailments or expansions.

■ Any increase or decrease in regular staffing levels.

■ Any contract employee costs (except for positions with current contracts that extend beyond June 30, 2009: these costs should be included in the staffing detail worksheet).

■ One-time costs. (Note: All "minor capital" items are by definition significant operating program changes.)

■ Ongoing cost increases to maintain existing service levels or changes in the method of delivering services.

■ Changes in operation that will significantly affect customer service—either external or internal to the organization.

■ Changes that affect current policies.

Provided in Appendix B.4 is the request template, which is electronically available on the City's T:Drive under Budget Folders and on the Intranet under "Budget Info" on the home page side bar.

As reflected in this template, significant operating program requests help concisely answer the following questions, in alignment with the "project planning checklist:"

■ *Function*. Which of our six functions is this project related to (Public Safety, Public Utilities, Transportation, Leisure, Cultural & Social Services, Community Development or General Government)? This should be prepared in ALL CAPITAL LETTERS.

> **Note:** The Function and Request Title are in the "header."

■ *Request Title*. What is a simple, short title for this request? (Titles should never be more than **eight** words long.) This should be prepared in ALL CAPITAL LETTERS.

■ *Request Summary*. Answers five basic questions: doing what, in order to achieve what, will cost what, for what, when? If there are any offsetting cost savings or revenues, this should also be noted. The term of the expenditure request (trial program for a specified period, one-time expenditure, ongoing activity, any differences in costs between the first and subsequent years) should also be addressed in this section.

This will help place the emphasis on what you want to do, rather than just how much more money you want. In short:

Doing what, in order to achieve what, will cost what, for what, when.

For example:

- *Implementing monthly utility billing to improve customer service will cost $195,000 annually for regular staffing (three new positions), contract services and supplies. Due to enhanced interest earnings (about $45,000 annually) from the improved cash flow from a monthly versus bimonthly billing cycle, the net annual cost of this conversion is reduced to $150,000. First year costs will be slightly lower due to the time required (about three months) to hire the new staff and complete other key implementation steps.*

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┌─────────────────────────────┐
│        Writing Tip          │
│ Start the request with      │
│ an "ing" verb.              │
└─────────────────────────────┘
```

- *Replacing the police station sally port to ensure appropriate security when in the booking area when transporting prisoners will cost $7,500 for minor capital in 2009-10.*

- *Preparing a master plan for the South Broad Street area to guide the long-term improvement of this area will cost $45,000 for consultant services in 2010-11.*

■ *Key Objectives*. What will the change accomplish? What are its major benefits?

■ *Factors Driving the Need for Change*. What's happening that makes this change necessary or desirable?

■ *Goal and Policy Links.* How does this operating program change tie to previously adopted goals or policies? This could include:

- Major City Goals or Other Council Objectives

- General Plan

```
┌────────────────────────────────────┐
│          Preparation Tips          │
│ ■ The second and subsequent pages  │
│   of the request have a Word       │
│   header. Be sure to enter the     │
│   request title.                   │
│                                    │
│ ■ The cost chart is an Excel       │
│   spreadsheets embedded in the     │
│   Word document; double-click on   │
│   the frame to open it up.         │
│                                    │
│ ■ Round all costs to the nearest   │
│   $100.                            │
│                                    │
│ ■ Do NOT include theses costs in   │
│   your line-item budget worksheets.│
│   If the City Manager approves your│
│   request, Finance will add them to│
│   your line item budget worksheet. │
└────────────────────────────────────┘
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- Other major policies and plans like the Water System Master Plan, Pavement Management Plan, Fleet Management Program, Access and Parking Management Plan or Information Technology Strategic Plan.

- Operating Program Goals

■ *Program Work Completed.* What work has already been completed in preparing for implementation?

■ *Environmental Review.* Do we foresee any significant environmental issues with this program? If so, at what level? What environmental review has already been completed? If there are environmental issues, you should review this request with Community

Development before submitting it for budget review in order to assess what is likely to be needed to complete this project in terms of environmental review and mitigation.

■ *Program Constraints and Limitations.* What are the constraints that might limit program implementation and success, such as when it can be done and how much it will cost? In short, what are the significant obstacles we can reasonably expect to face in implementing this program? Examples include:

- Regulatory permits or approval of the project by another governmental agency (or private individual or business).

- Complex environmental review.

- Significant public involvement or coordination issues with business, community or neighborhood groups (see "Stakeholders" below).

- Any other significant stakeholder or special review considerations that will affect project implementation.

> **☞ Practice Tip**
>
> If there are no significant project constraints, limitations or environmental review requirements, simply say so.
>
> For example:
>
> - "No environmental review will be required."
>
> - "There are no significant project constraints or limitations."

What are the strategies for successfully overcoming these challenges? (If it's predictable, it's preventable.) And are there any key issues that will not be resolved <u>even if</u> the program is successful in meeting its objectives and providing its deliverables? If so, what are these?

■ *Stakeholders.* Who will be affected by this program – both inside and outside of the organization? What are the strategies for ensuring that stakeholders are involved in a meaningful way? This can be a major planning effort on its own, so be sure to account for this in the implementation plan below.

■ *Implementation.* When will the change be implemented? What implementation steps are necessary? (This may be best shown as a chart – see below.)

Task	Date
1.	
2.	
3.	
4.	
5.	

■ *Key Program Assumptions.* What are your key assumptions about uncertain information forming the basic building blocks for program planning and execution? For example, what is the basis for cost projections and how are these likely to change? What are your key assumptions for the implementation plan?

■ *Program Manager and Team Support.* Who will be the project manager? What team members are likely?

- **Program Manager.** If this request is approved, who will be responsible for ensuring its successful completion? This is most likely someone from the requesting department, but it may be someone from another department. This may change as the project goes forward, but based on our current organization at the time of the request, who is accountable for getting this work done?

- **Project Team.** What other departments or divisions will provide program support? Who from these support groups reviewed the project request before it was submitted?

■ *Alternatives*. What are the *reasonable* alternatives to the proposed request? These could include:

- **Continue the Status Quo.** What are the consequences of doing nothing?

- **Defer or Re-Phase the Request.** What happens in this case?

- **Change the Scope of Request.** What happens if we do more? What happens if we do less?

- **Implementation in a Different Way.** If you are requesting staffing, why can't this be contracted out? Conversely, if you are recommending contracting-out, why shouldn't City staff (regular, temporary or contract) be used instead? Is overtime an option?

- **Existing Program Evaluation.** In accordance with our adopted Human Resources Management Policy, recommendations for increasing regular staffing must include an analysis of contracting-out the requested service as discussed above. Additionally, the request must evaluate whether program services can be accomplished with fewer regular employees. And any regular staffing requests (or major changes to temporary staffing) should be reviewed with Human Resources before they are submitted for budget review.

■ *Operating Program.* Which of our 75 programs is this project most closely related to? (Such as Police Patrol, Water Treatment or Pavement Maintenance.)

■ *Cost Summary*. How much will the change cost for both of the years covered in the Financial Plan (2009-10 and 2010-11)? How does it compare with current costs if an enhancement to an existing service level is being requested? Are there any offsetting revenues? Are there any offsetting cost reductions (including regular staffing reductions), and what are the impacts of these?

Line Item Description	Account No.	2009-10	2010-11
Staffing		0	0
Contract Services		0	0
Other Operating Expendiures		0	0
Minor Capital		0	0
Total Operating Costs		0	0
Offsetting Costs Savings or Revenues (Enter as a negative number. If there are none, delete this row in the table.)			
Net Operating Costs			0

If approved by the City Manager, these requests will be compiled as Appendix A to the Preliminary Financial Plan and presented to the Council, so in this case the way the request looks—format, clarity, consistency and readability—all count.

Operating Cost Reduction Options

As described in Appendix E.1, by February 23 the City Manager will assign expenditure reduction option targets to each department based on the budget gap remaining after assessing the role that other budget balancing strategies (such as new revenues and CIP reductions) will play in closing the projected budget gap.

Determining the Options Target

Provided in Appendix E.2 are the departmental "base budgets" that will be the basis for preparing reduction options, which will be set by a percentage reduction that will be the same for all departments. As described in the Appendix, these are based on the adopted 2008-09 Budget. Consistent with our approach in the past, the only adjustments are for liability insurance in Human Resources and the Golf Fund operating subsidy in Parks & Recreation.

Even though the "remainder to balance through operating budget reductions" will be determined after assessing the other budget-balancers we can bring to bear, the "option" amounts given to each department will be greater in the collective than the "remainder" in order to surface options. Otherwise, this would just be an "across-the-board" process – not the priority-based one that it needs to be.

It is important to note that your base—no matter how calculated - has *absolutely nothing* to do with reductions that the City Manager will ultimately make to the Council: this will be based solely on service impacts and priorities. It may affect the level of options that you have to prepare—but it will have *no* bearing on the recommendations.

Preparing the Reduction Options

As set forth in the *Budget Balancing Strategy*, Department Heads are responsible for crafting expenditure reduction options for the City Manager's consideration that are real, doable and:

■ Reflect the least service impacts to the community: no game-playing in proposing least-likely reductions and non-starters.

■ Describe service impacts.

■ Are ongoing.

■ Are within the City's ability to do independently: no speculative reductions contingent upon actions by others.

■ Can be implemented by July 1, 2009 for non-staffing options; and by January 1, 2010 for staffing options (and depending on the circumstances, perhaps even beyond this.)

■ Are net of any related revenues from fees or grants. For example, if a proposed cost reduction of $100,000 has $25,000 in revenues associated with it, then the net "scored" cost savings is $75,000.

■ Maintain essential facilities, infrastructure and equipment at reasonable levels.

■ Reflect participation from throughout the organization.

Key Principles in Preparing Options

■ Any service reductions will be balanced, and ensure that highest priority services are retained.

■ Reductions will be based on service priorities, not vacant positions: attrition is a helpful tactic, but it will not be the driving strategy in reducing costs. On the other hand, one of the key purposes of the "hiring freeze" currently in effect is to create flexibility in making reductions based on priorities while mitigating the need for lay-offs.

■ Focus will be on retaining "front-line" core services, and reducing services with least impact on the community at-large.

■ On the other hand, we need to preserve "organizational" infrastructure.

Submitting the Reduction Options

Provided in Appendix B.5 is the format for submitting these reduction options, which is organized into five sections:

■ **Operating Program.** The affected operating program (such as Police Patrol, Water Treatment, Pavement

> **Note:** The Report Title and Submitting Department are in the "header."

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Maintenance, Aquatics, Natural Resources Protection or Risk Management) should be entered in this column.

■ **Description.** Three or four word "short title" followed by a description of the reduction option: What it is it? What kinds of costs are affected (staffing: regular, temporary, overtime; contract services, utilities; training; supplies)? How did we determine the "net cost," if this is applicable, such as reduced revenues or increased offsetting costs in other areas? (Note: Only the net cost savings should be shown in the "cost" column. For example, if a $100,000 cost savings has $25,000 in revenues associated with it, only $75,000 should be shown in the annual cost savings column.) When will the reduction be implemented? If regular staffing is affected, is the position currently filled or vacant?

■ **Service Impact.** What is the service impact of the cost reduction? How will response times or service quality be affected? What won't get done that is being done now?

Note: This is one of the most important sections of this form: the consequences of implementing this reduction need to be clear.

■ **Regular Staffing** If applicable, the number of regular positions affected should be shown in this column.

■ **Annual Cost Savings.** The net cost savings on annualized basis should be entered in this column.

Option Totals. At the end of the submittal, the total number of regular positions affected and total annualized cost savings should be provided.

Priority Order. Reduction options should be listed in the priority order, with the lowest priority presented first.

Operating Program Narratives

A concise but comprehensive narrative is included in the Financial Plan (Section D) for each of our 75 operating programs. Word templates for each department's programs will be placed on the "T drive" by January 20, 2009.

Provided in Appendix B.6 is a sample operating program narrative providing the following information for each program:

■ *Program Title*. Presents the program's functional grouping, title, operation, administering department and primary funding source.

> **Note:** The "Function" is in the "header."

■ *Program Costs*. Summarizes program costs by major type (staffing, contract services, other operating expenditures and minor capital) for the last completed year (actual 2007-08), current year in progress (current budget for 2008-09) and the two years covered by the Financial Plan (2009-10 and 2010-11).

Note: *As highlighted in Exhibit B.6, no entries should be made to the cost summary. Finance will complete and update this section after the City Manager finalizes his recommendations to the Council.*

■ *Program Description*. Describes the program's purpose, goals and activities.

■ *Staffing Summary*. Details authorized regular staffing for the program by position and summarizes temporary full-time equivalents (FTE's) for the same four-year period covered by the cost summary. [This is also an embedded Excel spreadsheet.]

Note: Each increment of 1,850 of hours worked by temporary staff equals one FTE. This is less than 2080 hours as it is the equivalent of a regular employee who receives holiday, vacation and sick leave benefits.

■ *Significant Program Changes*. This is organized into two sections: those related to "Reductions Required to Balance the Budget" and "Increases Required to Support Basic Service Levels." Generally, these should be the same descriptions as the "significant operating program change" request summary. The appropriate year should be entered (2009-10, 2010-11 or 2009-11 if the request spans both years of the Financial Plan).

■ *2009-11 Program Objectives*. Summarizes major program objectives for 2009-11 for improved service delivery. CIP projects for 2009-11 managed by the program should also be listed. As reflected in the sample provided in Appendix B.5, these should be organized into three groupings (if appropriate): Major City Goals; Council Goals; and Other Program Objectives. You should delete any headers that aren't applicable.

■ *Workload Measures*. Summarizes key indicators that provide the Council and public with simple statistics showing the program's workscope and effectiveness for the same four-year period covered by the cost summary. Their purpose is either to present "how much" of something is done (usually expressed as a volume of something) or to measure "how cost-effectively" something is done (usually expressed as the ratio between the cost, time or staff resources required to produce a unit of service).

For example, the number of widgets produced annually measures how much is done; the number of widgets produced per day, per employee or its unit cost might measure its effectiveness. For City services, "measure" examples might be annual calls for Police patrol service or how quickly we respond to those calls.

Workload measures should be meaningful, useful and sustainable. Accordingly, in developing them, departments should consider:

- Would the measure be intuitively understandable to persons outside of the department?

- Do they in fact measure something meaningful in understanding workload and resource allocation issues?

- Do they measure a variety of program activities?

- Can the measure be validated? How difficult will it be to reliably collect and maintain this data?

- Overall, are they useful in summarizing program activities, workloads and effectiveness?

REQUEST SUBMITTALS

As noted previously, Departments will no longer "submit" operating budget requests, in either "hard copy" or electronically via email. Instead, departments will save their requests to shared file folders on the "Team Drive (T)," in the 2009-11 Financial Plan folder. All revisions will be made to this one document. Hopefully, by always working from only one document, we will avoid the "version control" problems we had in prior years. Submittals should be saved to the appropriate folder under "Department Operating Programs," using a folder organization and naming convention similar to that used for the CIP budget requests. (There is also a direct link to this on the City's Intranet.)

SUMMARY

A complete operating budget submittal includes:

Due Date
Your department's operating program submittals are due electronically due on the "T drive" as a Word document by **Noon on Monday, March 9.**

1. Line-item budget worksheets.

2. Supporting documentation for staffing line items.

3. Supporting documentation non-staffing line items.

4. Significant operating program change requests for all programs.

5. Operating budget reduction options

6. Operating program narrative.

Budget-Building Task C
MAJOR CITY GOALS

OVERVIEW

At their January 31 budget workshop (with follow-up at the February 3 meeting if needed) the Council will set goals for 2009-11. A briefing is scheduled for Thursday, February 5 with the "usual suspects" who are most likely to be responsible for preparing work programs for the major City goals as well as any follow-up "significant operating program changes" and CIP projects. With this briefing, we hope to quickly assess who's responsible for what, and begin coordinating any inter-departmental teams that may be needed in preparing the work programs and budget requests.

Based on past experience, it is likely that Council goals will be organized into following three goal priority categories:

■ **Major City Goals**. These represent the most important, highest priority goals for the City to accomplish over the next two years, and as such, resources to accomplish them should be included in the 2009-11 Financial Plan. If the work program approved by the Council for a major City goal is not included in the Preliminary Financial Plan prepared by the City Manager, compelling reasons and justification must be provided as to why resources could not be made available to achieve this goal.

■ **Other Important Objectives**. Goals in this category are important for the City to accomplish, and resources should be made available in the 2009-11 Financial Plan if at all possible.

■ **Address As Resources Permit**. While it is desirable to achieve these goals over the next two years, doing so is subject to current resource availability.

WORK PROGRAMS: MAJOR CITY GOALS

While this will be discussed in more detail at the February 5 briefing, we will prepare concise but meaningful draft work programs for each of the major City goals providing the following information:

■ **Short Title**. Provides the "short title" for the goal.

■ **Objective**. Generally, this should be the action statement adopted by Council, but some word-smithing is okay if it will make the goal clearer.

> **Other Council Goals**
>
> Although we will only prepare detailed work programs for the Major City Goals, implementation efforts for the other goal categories should be included in your budget submissions as significant operating program changes and CIP projects; and reflected as objectives in your operating program narratives.

■ **Discussion**. This section has three key parts, which can be presented in any fashion that best tells the story, as long as each topic is addressed:

- *Proposed Workscope*. Summary description of the proposed work program.

- *Existing Situation*. What existing facilities or conditions will be affected?

- *Project Work Completed.* What related work has the City done in the past?

■ **Work Program Constraints and Limitations.** What are the constraints that might limit program implementation and success, such as when it can be done and how much it will cost? In short, what are the significant obstacles we can reasonably expect to face in implementing this program? (See CIP and significant operating program request sections for examples).

■ **Stakeholders.** Who will be affected by this program – both inside and outside of the organization? What are the strategies for ensuring that stakeholders are involved in a meaningful way? This can be a major planning effort on its own, so be sure to account for this in the "Action Plan" below.

■ **Action Plan**. What specific things do we need to do in order to accomplish this goal, and when will we do them? Knowing this will help us in scoping and defining the project and in monitoring our progress in accomplishing it over the next two years should the Council desire to go forward with it. In almost all cases this will be best presented as a table as shown ion Appendix C.

Important Note: This is our key opportunity to define the goal, set reasonable timeframes for accomplishing it and measure our success. ***The Moral:*** *Be realistic (not "hopeful") in setting timeframes: in short, who else is to blame for failure to achieve milestones on time other than the person who established them?*

Long Story Short: Show the "most likely case," not the "best case" in preparing the tasks and timeframes.

Since this is a work program for 2009-11, no due dates should be shown beyond June 30, 2011.

■ **Key Work Program Assumptions.** What are your key assumptions about uncertain information forming the basic building blocks for work program planning and execution? For example, what is the basis for cost projections and how are these likely to change? What are your key assumptions for the "Action Plan?"

■ **Responsible Department.** Who's accountable for getting this done? In some cases, more than one department will be responsible for certain tasks, or there will be a lead department with support from others. This should be noted, but there should also be a clear indication overall who's "it" in achieving the goal.

■ **Financial and Staff Resources Required to Achieve the Goal**. What will it take to achieve the goal? Do we have to add resources to do this? What kind? As reflected in Appendix C, both costs and funding sources should be shown, using the imbedded Excel spreadsheet. ***Operating and CIP costs should come directly from your budget submittals for these.***

■ **General Fund Revenue Potential.** We do not expect a detailed, highly quantified cost benefit analysis—but rather, a "high level" discussion about any likely General Fund revenue potential. For example, possible linkages might be stated as:

- *Long-Term Water Supply.* A dependable, long-term water supply is an essential pre-requisite for our economic development efforts, such as the airport area annexation, which will be fiscally beneficial for the City.

- *Parking and Downtown Access Plan.* By better meeting parking demand, adopting and implementing this plan will enhance the economic viability of the downtown, which accounts for over 20% of the City's sales tax revenues—our most important General Fund revenue source.

- *Open Space Preservation.* Our natural environment is a major factor in attracting visitors to the City. In this context, preserving open space is an important component of maintaining and enhancing our visitor industry, which results in over $3 million annually in TOT revenues—our third most important General Fund revenue source.

  Important Note: Let's not stretch this too thin or twist it into a pretzel. Some programs—like police protection, street maintenance and most "quality of life" programs—are what we have financial capacity for. So, not every work program has to have a favorable "General Fund Revenue Potential." And in fact, for some of the Council goals, it will weaken our credibility if we even try to make a General Fund revenue link. As Steven

  Covey would put it, we need to keep our "production" and "production capability" in balance. The facts of life are: most of our programs are "production," not "production capacity." In short, under this section, it is okay to say that it is unlikely that there will be any significant General Fund revenue enhancements as a result of achieving this goal.

■ **Outcome/Final Work product**. What will we get if we achieve the goal, and why is this important?

ELECTRONIC TEMPLATE

The work program template provided is Appendix C and is electronically available on the City's T:Drive under Budget Folders and on the Intranet under "Budget Info" on the home page side bar.

Due Date
The work programs assigned to your department must be on the "T drive" as a Word document by **Noon on Monday, March 9.**

OTHER GOALS AND OBJECTIVES

Can Departments Propose Other Goals and Objectives?

Absolutely—we expect departments to prepare objectives for improving City operations in addition those initiated by the Council. These should be included with your program objectives as discussed in the *Operating Programs* section of these instructions. Along with Council and departmental objectives, you should also include Council advisory body objectives—to the degree that you believe it is appropriate to do so, and have included resources in your budget submission to accomplish them.

The following summarizes roles and responsibilities for preparing, adopting and administering the Financial Plan:

■ **Council**. Sets goals; approves the Financial Plan and budget accordingly; makes changes to goals and resource allocations as necessary throughout the year. No expenditures are possible—from the lowliest paper clip to the most expensive CIP project—without an appropriation approved by the Council to do so.

■ **Council Advisory Bodies.** Make recommendations to the Council as part of the goal-setting process; in some cases, review budget submissions before they are submitted to the Council.

   Note: Special Role for the Planning Commission. Reviews the draft CIP for consistency with the General Plan.

■ **City Manager**. Recommends the budget for Council consideration; ensures appropriate execution of the budget after adoption by the Council.

■ **Department Heads**. Have the primary responsibility for assuring that: budget requests are fiscally responsible; budgets are prudently managed and executed after adoption by the Council; approved service levels are delivered at the lowest possible cost; budgets are well-researched, accurate, fully documented and supported by the facts; budgets request funding levels necessary to deliver approved service levels, no more and no less; and that advisory bodies review budget proposals as appropriate.

■ **Department Staff**. Participate with their department heads in carrying-out budget responsibilities as outlined above.

■ **Department Fiscal Officers**. Coordinate departmental preparation of budgets.

■ **Budget Review Team**. Reviews all budget requests and special review group recommendations; makes recommendations to the City Manager. Members are:

   • Assistant City Manager
   • Director of Human Resources
   • Director of Finance & Information Technology
   • Finance Manager
   • Budget Analysts

■ **Budget Analysts**. Review department budget proposals as assigned to help ensure that they meet the City Manager's standards as outlined under "Department Head" responsibilities above; review departmental budget trends with the City Manager and Budget Review Team on a quarterly basis during the year. Assigned budget analysts are:

- *Principal Administrative Analyst (Administration).* Police, Fire and Human Resources.

- *Senior Administrative Analyst (Utilities).* City Attorney, City Clerk and Finance & IT.

- *Accounting Supervisor (Finance & IT).* Public Works and Parks & Recreation.

- *Revenue Supervisor (Finance & IT)*. Utilities, Administration and Community Development.

■ **CIP Review Committee**. Reviews all CIP proposals and makes recommendations to the City Manager. Members are:

- Public Works Director, Chair
- Parks & Recreation Director
- Community Development Director
- Utilities Director

- Finance & IT Director
- Police Chief
- Assistant City Manager

  Staff Support: City Engineer and Finance Manager

■ **General Fleet Coordinator.** Except for Fire and Transit Fleets, reviews all vehicle requests—for both new and replacement vehicles—before they are submitted to the CIP Review Committee and Budget Review Team.

■ **Information Technology Division**. Reviews all significant operating program changes and CIP proposals affecting information technology before they are submitted to the CIP Review Committee and Budget Review Team.

■ **Community Development Department**. Advises on CDBG eligibility and environmental issues; coordinates review of the CIP by the Planning Commission for General Plan consistency.

■ **Public Works Department: Engineering Division**. Advises on CIP cost estimates and time-frames; establishes project schedules; manages construction projects and land acquisitions except in limited circumstances where the City Manager has assigned project management responsibilities to another department on a case-by-case basis.

■ **Finance Division**. Coordinates overall preparation of the Financial Plan; prepares and monitors revenue projections.

PROGRAM RESPONSIBILITIES
Or Who's Responsible for What

Department	Program	Function
Administration	City Administration	General Government
	Legislation & Policy (Council)	General Government
	Cultural Activities	Leisure, Cultural & Social Services
	Natural Resource Protection	Community Development
	Community Promotion	Community Development
	Downtown Business Improvement District	Community Development
	Tourism Business Improvement District	Community Development
	Economic Development	Community Development
City Attorney	Legal Services	General Government
City Clerk	Records Administration	General Government
	Elections	General Government
Human Resources	Human Resources Administration	General Government
	Risk Management	General Government
	Human Relations	Leisure, Cultural & Social Services
Finance & Information Technology	Finance & IT Administration	General Government
	Accounting	General Government
	Revenue Management	General Government
	Information Technology	General Government
	Support Services	General Government
Community Development	Commissions & Committees	Community Development
	Community Development Administration	Community Development
	Development Review	Community Development
	Long Range Planning	Community Development
	Housing	Community Development
	Building & Safety	Community Development
Parks & Recreation	Parks & Recreation Administration	Leisure, Cultural & Social Services
	Aquatics	Leisure, Cultural & Social Services
	Day Care	Leisure, Cultural & Social Services
	Classes & Adult Athletics	Leisure, Cultural & Social Services
	Major Events & Facilities	Leisure, Cultural & Social Services
	Youth Sports & Special Events	Leisure, Cultural & Social Services
	Teen & Senior Services	Leisure, Cultural & Social Services
	Park Ranger	Leisure, Cultural & Social Services
	Special Youth Services	Leisure, Cultural & Social Services
	Golf	Leisure, Cultural & Social Services
Public Works	Transportation Planning & Management	Transportation
	Street and Sidewalk Maintenance	Transportation
	Traffic Signals & Street Lights	Transportation
	Creek and Flood Protection	Transportation
	Parking	Transportation
	Transit	Transportation

PROGRAM RESPONSIBILITIES
Or Who's Responsible for What

Department	Program	Function
Public Works (Continued)	Park & Landscape	Leisure, Cultural & Social Services
	Trees	Leisure, Cultural & Social Services
	Swim Center Maintenance	Leisure, Cultural & Social Services
	Engineering: Development Review	Community Development
	Engineering: Project Design & Inspection	Community Development
	Public Works Administration	General Government
	Geographic Information Services	General Government
	Building Maintenance	General Government
	Fleet Maintenance	General Government
Utilities	Water Source of Supply	Public Utilities
	Utilities Resource Conservation	Public Utilities
	Water Treatment	Public Utilities
	Water Distribution	Public Utilities
	Water Customer Service	Public Utilities
	Water Administration & Engineering	Public Utilities
	Water Franchise Fees & Taxes	Public Utilities
	Wastewater Pre-Treatment	Public Utilities
	Wastewater Collection	Public Utilities
	Wastewater Treatment & Disposal	Public Utilities
	Wastewater Administration & Engineering	Public Utilities
	Wastewater Franchise Fees & Taxes	Public Utilities
	Whale Rock Reservoir	Public Utilities
Police	Police Administration	Public Safety
	Support Services	Public Safety
	Neighborhood Services	Public Safety
	Patrol	Public Safety
	Traffic Safety	Public Safety
	Investigations	Public Safety
Fire	Fire Administration	Public Safety
	Emergency Response	Public Safety
	Hazard Prevention	Public Safety
	Training	Public Safety
	Technical Services	Public Safety
	Disaster Preparedness	Public Safety

Appendix

WATER REUSE: RECLAIMED WATER DISTRIBUTION SYSTEM

CIP Project Summary

> *Think of this as being like the "Recommendation" part of a Council agenda report.*

In **one or two** sentences, this summary should answer five basic questions: doing what, in order to achieve what, will cost what, for what, when?

Generally, individual requests should be submitted for each distinct project. However, reasonable groupings of individual projects that share the same objectives, existing situation, goal & policy links, environmental review requirements, funding sources and implementation schedules may be grouped together in one request, but each project should be adequately described. For projects that are likely to be bid together, this approach is encouraged. Individual projects grouped in this manner that will be bid separately will be assigned unique project numbers in order to track their progress and fiscal status.

Background. This is an *optional* sub-section under project summary that departments may want to use if they want to—but it is not required.

Project Objectives

1. What will this project accomplish?
2. What are its main benefits?
3. List each one, starting each objective with a verb.

Existing Situation

What existing facilities or conditions will be affected by the project? How will this project improve these?

Goal and Policy Links

How does this project tie to previously adopted goals or policies? (List each link.) This could include the:

1. Major City Goals for 2009-11 or other Council Objectives
2. General Plan (such as the land use, circulation or parks & recreation element).
3. Other major policies and plans like the Water System Master Plan, Pavement Management Plan, Fleet Management Program, Parking and Access Management Plan or Information Technology Strategic Plan.
4. Operating Program Goals
5. Prior CIP approvals. [This is one of the most important links you can identify.]

Project Work Completed

1. What studies, plans, designs, acquisitions or construction have already been initiated or completed?
2. What outside funding has already been secured?

Environmental Review

What level of environmental review will be required for this project? What work has already been completed? Do we foresee any significant environmental issues with this project? If we do, you should review this request with Community Development before submitting it for budget review in order to assess what is likely to be needed to complete this project in terms of environmental review and mitigation. For those cases where environmental review is unlikely (such as purchasing a replacement network file server), "No environmental review required" should be stated in this section.

WATER REUSE: RECLAIMED WATER DISTRIBUTION SYSTEM

Project Constraints and Limitations

What are the constraints that might limit project implementation and success, such as when it can be done and how much it will cost? In short, what are the significant obstacles we can reasonably expect to face in implementing this project? Examples include:

> **☞ Practice Tip**
>
> If there are no significant project constraints, limitations or environmental review requirements, simply say so.

1. Regulatory permits or approval of the project by another governmental agency (or private individual or business).

2. Complex environmental review.

3. Significant public involvement or coordination issues with business, community or neighborhood groups (see "Stakeholders" below).

4. Any other significant stakeholder or special review considerations that will affect project implementation.

What are the strategies for successfully overcoming these challenges? (If it's predictable – it's preventable.) And are there any key issues that will not be resolved <u>even if</u> the project is successful in meeting its objectives and providing its deliverables? If so, what are these?

Stakeholders

Who will be affected by this project – both inside and outside of the organization? What are the strategies for ensuring that stakeholders are involved in a meaningful way? This can be a major planning effort on its own, so be sure to account for this in the study or design phase of the project.

Project Phasing and Funding Sources

What are the projected phasing, costs and funding sources for the project over the next four years? How much have we already budgeted for this project?

> **Note:** The following tables are "embedded" Excel spreadsheets: just "double-click" on them to open them up.

WATER REUSE: RECLAIMED WATER DISTRIBUTION SYSTEM

Project Costs by Phase

	Project Costs					
	Budget-to-Date	2009-10	2010-11	2011-12	2012-13	Total
Study						
Environmental Review						
Land Acquisition						
Site Preparation						
Design						
Construction						
Construction Management						
Equipment Acquisition						
Total	-	-	-	-	-	-

Project Funding by Source

	Project Funding Sources					
	Budget-to-Date	2009-10	2010-11	2011-12	2012-13	Total
General Fund						
Grant (See Note Below)						
Debt Financing						
Developer Contribution						
Total	-	-	-	-	-	-

NOTES: Only One Funding Source. Do not use this "project funding sources" chart if there is only one source of funding: in this case, simply state the funding source under the project cost table.

Grant Funding and Debt Financing. See the *CIP Budget Instructions* for criteria in showing grants or debt financing as funding sources.

Key Project Assumptions

What are your key assumptions about uncertain information forming the basic building blocks for project planning and execution? For example, what is the basis for cost projections and how are these likely to change? What are your key assumptions for project phasing?

Project Manager and Team Support

Project Manager. If this project is approved, who will be responsible for ensuring its successful completion? This is most likely someone from the requesting department, but it may be someone from another department. This may change as the project goes forward, but based on our current organization at the time of the request, who is accountable for getting this work done?

Project Team. What other departments or divisions will provide project support? (Such as Engineering, Information Technology or Fleet Management.) Who from these support groups reviewed the project request before it was submitted?

WATER REUSE: RECLAIMED WATER DISTRIBUTION SYSTEM

Alternatives

What are the reasonable alternatives to your project request? These could include:

1. *Deny the Project.* What are the consequences of doing nothing?

2. *Defer or Re-phase the Request.* What happens in this case?

3. *Change the Scope of the Project.* What happens if we do less? What happens if we do more?

Operating Program

Which of our 75 operating programs is this project most closely related to? (Such as Police Patrol, Water Treatment or Pavement Maintenance.)

Project Effect on the Operating Budget

Project Management

1. What staff resources or other operating cost areas will be affected in managing the project during implementation?

   This should include hours or full-time equivalent (FTE) estimates for the project manager as well as team members. This may be simply stated in narrative form; or if there are several staff member involved, this may be easier to show as a table.

Operations and Maintenance After Project Completion

2. What costs will be incurred in operating or maintaining the project after it is completed?

3. Will there be any cost savings?

Location Map/Schematic Design

Location maps, site plans or schematic designs should accompany the CIP request whenever this will improve overall understanding of the project. These should be electronically integrated into the request.

The following Excel spreadsheet should be copied and pasted into the standard CIP request at the end of the document for any *fleet replacements*.

Note: The fiscal year format will need to be modified depending on the actual phasing of the units recommended for replacement.

Description of Replacement Units

Replacement Fiscal Year	2009-10			2010-11		
City Fleet Number						
Vehicle Type						
Make						
Model						
Model Year						
Date Entered City Service						
Odometer Reading at 12-1-08						
Replacement Guidelines						
Target: Years or Mileage						
Proposed: Years or Mileage						
Replacement Cost						
Base Unit						
Accessories & Other Costs						
Delivery						
Sales Tax						
Total Replacement Costs	**0**	**0**	**0**	**0**	**0**	**0**

Total: 2009-10 | $0   Total: 2010-11 | $0

Replacement Fiscal Year	2011-12			2012-13		
City Fleet Number						
Vehicle Type						
Make						
Model						
Model Year						
Date Entered City Service						
Odometer Reading at 12-1-08						
Replacement Guidelines						
Target: Years or Mileage						
Proposed: Years or Mileage						
Replacement Cost						
Base Unit						
Accessories & Other Costs						
Delivery						
Sales Tax						
Total	0	0	0	0	0	0

Total: 2011-12 | $0   Total: 2012-13 | $0

The following Excel spreadsheet should be copied and pasted into the standard CIP request at the end of the document for any *fleet expansions*.

Description of Fleet Expansion Units

Fiscal Year						
Vehicle Type						
Cost						
Base Unit						
Accessories & Other Costs						
Delivery						
Sales Tax						
Total Cost	$0	$0	$0	$0	$0	$0

CITY OF SAN LUIS OBISPO
EXPENDITURE BUDGET WORKSHEET
2009-11

Division	Title	Account	Account Title	Actual 2006-07	Actual 2007-08	Original Budget 2008-09	Estimated Actual 2008-09	Dept Request 2009-10	Dept Request 2010-11
25300	INFORMATION TECHNOLOGY	7010	SALARIES - R	384,227.56	374,063.20	667,300.00			
25300	INFORMATION TECHNOLOGY	7014	SALARIES-TE	32,167.86	1,183.07	25,000.00			
25300	INFORMATION TECHNOLOGY	7020	OVERTIME	48,508.60	46,350.86	31,500.00			
25300	INFORMATION TECHNOLOGY	7032	STAND-BY	13,221.79	13,317.50	13,300.00			
25300	INFORMATION TECHNOLOGY	7034	CALL BACK	5,963.99	6,743.01	4,700.00			
25300	INFORMATION TECHNOLOGY	7040	RETIREMENT	105,006.18	97,997.61	184,200.00			
25300	INFORMATION TECHNOLOGY	7041	RETIREMENT	1,759.21	1,462.84	2,200.00			
25300	INFORMATION TECHNOLOGY	7042	HEALTH & DIS	45,640.08	45,285.40	81,400.00			
25300	INFORMATION TECHNOLOGY	7043	RETIREE HEA	0.00	0.00	14,700.00			
25300	INFORMATION TECHNOLOGY	7044	MEDICARE	7,256.33	6,666.13	10,000.00			
25300	INFORMATION TECHNOLOGY	7046	UNEMPLOYM	499.79	1,758.95	2,600.00			
25300	INFORMATION TECHNOLOGY	7048	WORKERS CO	19,061.28	12,163.83	14,300.00			
25300	INFORMATION TECHNOLOGY	7227	CONTRACT S	197,588.93	276,672.25	108,000.00			
25300	INFORMATION TECHNOLOGY	7229	DATA PROCE	68,973.01	45,689.18	85,100.00			
25300	INFORMATION TECHNOLOGY	7413	COMPUTER S	458,513.50	272,455.94	388,500.00			
25300	INFORMATION TECHNOLOGY	7427	PUBLICATION	53.82	34.47	4,000.00			
25300	INFORMATION TECHNOLOGY	7459	EDUCATION &	9,536.46	2,293.12	22,700.00			
25300	INFORMATION TECHNOLOGY	7463	CITY WIDE TR	57,059.36	24,738.00	24,800.00			
25300	INFORMATION TECHNOLOGY	7531	PROFESSION	0.00	0.00	200.00			
25300	INFORMATION TECHNOLOGY	7537	TRIPS AND M	3,306.63	2,702.41	3,600.00			
25300	INFORMATION TECHNOLOGY	7605	ELECTRIC UT	2,042.20	1,954.68	3,200.00			
25300	INFORMATION TECHNOLOGY	7617	TELEPHONE	190,608.88	141,309.38	156,600.00			
25300	INFORMATION TECHNOLOGY	7618	CELLULAR SE	124,453.21	101,151.29	155,100.00			
25300	INFORMATION TECHNOLOGY	7623	PAGER SERV	3,235.87	3,520.39	6,100.00			
25300	INFORMATION TECHNOLOGY	7701	BUILDING & P	31,047.72	31,857.60	34,300.00			
25300	INFORMATION TECHNOLOGY	7843	OPERATING N	113,253.59	96,511.65	43,400.00			

2009-11 Financial Plan
Supporting Documentation: All Staffing Costs

Program **Fiscal Year**

Cost Per Staffing Projections

Regular Staffing Adjustments

Description	Regular Staffing	Holiday	Uniform Allowance	PERS	Health & LTD Ins	Medicare	Unemply Insurance	Vacation Buyout	Workers Comp	PARS	Other	TOTAL
Total												

Temporary Staffing Adjustments

Description	Temp Staffing	Contract Staffing	Council & Comms	PERS	Health & LTD Ins	Medicare	Unemply Insurance	Workers Comp	Other	Other	Other	TOTAL
Total												

Overtime Adjustments

Description	Overtime	Special Events	Standby	Callback	Shift Continuation	Training	Other	Other	Other	Other	Other	TOTAL
Total												

This total must agree with your line budget worksheet.

Department: Finance
Program: Revenue Management (25120)

Description	2009-10	2010-11
Auditing and Accounting		
■ Annual audit fees per 4/03 agreement with Glenn Burdette Phillips & Bryson	37,800	38,900
■ Special audit services as may be required	2,000	2,000
	39,800	**40,900**
Contract Services (7227)		
■ Trustee services per 2/96 agreement with US Trust	1,600	1,600
● 1990 COPS		
● 1994 Revenue Bonds (General Fund share only; parking share in Parking Fund)	500	500
● Trustee Services - 1996 Revenue Bonds	1,600	1,600
■ Records destruction ($1.50 X 80 boxes plus bags)	200	200
	3,900	**3,900**
Postage (7423)		
■ UB notices (260,4000 @ $ .295 in 2007-08 and 0.5% growth @ .265* in 2008-09)	76,800	69,400
● 14,000 regular customers @ 12 bills per year 168,000		
● 40% receive 30 day reminder notice 67,200		
● 15% receive 45 day reminder notice 25,200		
* Reduction based on new bar coding programming in 2008-09 **260,400**		
■ UB Inserts (rates, low income, etc)	600	600
■ Business tax renewals/certificates/delinquencies (7,600 X $ .295 & $ .265*)	2,200	2,000
■ Business Tax audit letters	100	100
	79,700	**72,100**
Printing and Supplies (7425)		
■ UB Bills/reminders & shut-off	8,000	8,000
■ UB rate and low income inserts	800	800
■ Business tax applications & instruction handout	4,000	4,000
■ Business tax certificates/past due/envelopes	2,000	2,000
■ Miscellaneous forms (adjustment pads, batch tickets)	500	500
	15,300	**15,300**
Publications & Subscriptions (7427)		
■ Reverse directory	200	200
■ Directory of businesses by phone number	100	100
■ Customer service newsletter	100	100
■ Telegram Tribune & other publications	100	100
	500	**500**
Association Dues (7453)		
■ CMBTA (Customer Services Supervisor)	100	100
■ CSMFO (Revenue Manager & Customer Services Supervisor)	100	100
■ CMTA (Revenue Manager)	100	100
■ Certified Revenue Officers (Revenue Manager & Customer Services Supervisor)	100	100
	400	**400**
Training (7459)		
■ LAIF Annual Conference	400	400
■ Staff Training ($200 X 4)	800	800
■ Pentamation Annual User Group	400	400
	1,600	**1,600**
Trips & Meetings (7537)		
■ CMBTA -3 meetings	300	300
■ CMBTA-1 quarterly meeting as host city	200	200
■ Other water/utility related meetings	100	100
	600	**600**

SAMPLE

REQUEST TITLE (8 WORDS OR LESS)

Request Summary

In **one or two** sentences, this summary should answer five basic questions: doing what, in order to achieve what, will cost what, for what, when? If there are any offsetting cost savings or revenues, this should also be noted.

> *Think of this as being like the "Recommendation" part of a Council agenda report.*

Key Objectives

1. What will this change accomplish?
2. What are its main benefits?
3. List each one, starting each objective with a verb.

Existing Situation: Factors Driving the Need for Change

1. What are the current conditions that make this change needed or desirable? Describe each factor.
2. This section is typically the "meat" of your request——these are the reasons why you need added resources.

Goal and Policy Links

How does this operating program change tie to previously adopted goals or policies? This could include:

1. Major City Goals or other Council Objectives
2. General Plan
3. Other major policies and plans like the Water System Master Plan, Pavement Management Plan, Fleet Management Program, Parking and Access Management Plan or Information Technology Strategic Plan.
4. Operating Program Goals

Program Work Completed

What work has already been completed in preparing for implementation?

Environmental Review

Do we foresee any significant environmental issues with this program? If so, at what level? What environmental review has already been completed? If there are environmental issues, you should review this request with Community Development before submitting it for budget review in order to assess what is likely to be needed to complete this project in terms of environmental review and mitigation.

> **☞ Practice Tip**
>
> If there are no significant project constraints, limitations or environmental review requirements, simply say so: state "No environmental review required" in this section.

Program Constraints and Limitations

What are the constraints that might limit program implementation and success, such as when it can be done and how much it will cost? In short, what are the significant obstacles we can reasonably expect to face in implementing this program? Examples include:

REQUEST TITLE (8 WORDS OR LESS)

1. Regulatory permits or approval of the project by another governmental agency (or private individual or business).

2. Complex environmental review.

3. Significant public involvement or coordination issues with business, community or neighborhood groups (see "Stakeholders" below).

4. Any other significant stakeholder or special review considerations that will affect project implementation.

What are the strategies for successfully overcoming these challenges? (If it's predictable – it's preventable.) And are there any key issues that will not be resolved <u>even if</u> the program is successful in meeting its objectives and providing its deliverables? If so, what are these?

Stakeholders

Who will be affected by this program – both inside and outside of the organization? What are the strategies for ensuring that stakeholders are involved in a meaningful way? This can be a major planning effort on its own, so be sure to account for this in implementation plan below.

Implementation

When will the change be implemented? What implementation steps are necessary? (This may be best shown as a chart – see below.)

Task	Date
1.	
2.	
3.	
4.	

Key Program Assumptions

What are your key assumptions about uncertain information forming the basic building blocks for program planning and execution? For example, what is the basis for cost projections and how are these likely to change? What are your key assumptions for the implementation plan?

Program Manager and Team Support

Program Manager. If this request is approved, who will be responsible for ensuring its successful completion? This is most likely someone from the requesting department, but it may be someone from another department. This may change as the project goes forward, but based on our current organization at the time of the request, who is accountable for getting this work done?

Project Team. What other departments or divisions will provide program support? Who from these support groups reviewed the project request before it was submitted?

Alternatives

REQUEST TITLE (8 WORDS OR LESS)

What are the reasonable alternatives to your request? These could include:

1. *Continue the Status Quo.* What are the consequences of doing nothing?

2. *Defer or Re-Phase the Request.* What happens in this case?

3. *Change the Scope of Request.* What happens if we do more? What happens if we do less?

4. *Implementation in a Different Way.* If you are requesting staffing, why can't this be contracted out? Conversely, if you are recommending contracting-out, why shouldn't City staff (regular, temporary or contract) be used instead? Is overtime an option?

5. *Existing Program Evaluation.* In accordance with our adopted Human Resources Management Policy, recommendations for increasing regular staffing must include an analysis of contracting-out the requested service as discussed above. Additionally, the request must evaluate whether program services can be accomplished with fewer regular employees. And any regular staffing requests (or major changes to temporary staffing) should be reviewed with Human Resources before they are submitted for budget review.

Operating Program

Which of our 74 programs is this request most closely related to? (Such as Police Patrol, Water Treatment or Pavement Maintenance.)

Cost Summary

How much will the <u>change</u> cost for current year the by major category of cost? How does this compare with current costs? Are there any off-setting revenues or cost savings? What are the specific line items (and additional amounts) affected by this request in 2009-11?

Line Item Description	Account No.	2009-10	2010-11
Staffing		0	0
Contract Services		0	0
Other Operating Expendiures		0	0
Minor Capital		0	0
Total Operating Costs		0	0
Offsetting Costs Savings or Revenues (Enter as a negative number. If there are none, delete this row in the table.)			
Net Operating Costs		0	0

Note

This chart is an "embedded" Excel spreadsheet— just "double-click" on it to open it up.

REQUEST TITLE (8 WORDS OR LESS)

Line Item Description	Account No.	2007-08	2008-09
Staffing		**0**	**0**
Contract Services		**0**	**0**
Other Operating Expendiures		**0**	**0**
Minor Capital		**0**	**0**
Total Operating Costs		0	0
Offsetting Costs Savings or Revenues (Enter as a negative number. If there are none, delete this row in the table.)			
Net Operating Costs		**0**	**0**

Description	Service Impact	Regular Staffing	Annual Savings 2009-10	Annual Savings 2010-11
AFFECTED PROGRAM				
Option Title. Three or four word "short title" followed by a description of the reduction option: What it is it? What kinds of costs are affected (staffing: regular, temporary, overtime; contract services, utilities; training; supplies)? How did we determine the "net cost," if this is applicable, such as reduced revenues or increased offsetting costs in other areas? (Note: Only the net cost savings should be shown in the "cost" column. For example, if a $100,000 cost savings has $25,000 in revenues associated with it, only $75,000 should be shown in the annual cost savings column.) When will the reduction be implemented? If regular staffing is affected, is the position currently filled or vacant?	What is the service impact of the cost reduction? How will response times or service quality be affected? What won't get done that is being done now? It is very important to clearly identify the consequences of making this reduction.	x.x *If applicable*	$$,$$$	$$,$$$
AFFECTED PROGRAM				
AFFECTED PROGRAM				
AFFECTED PROGRAM				
TOTAL		x.x	$$$,$$$	$$$,$$$

PROGRAM: Accounting

DEPARTMENT: Finance & Information Technology

OPERATION: Organizational Support Services

FUND: General Fund

PROGRAM COSTS	Actual 2007-08	Budgeted 2008-09	2009-11 Financial Plan	
			2009-10	2010-11
Staffing				
Contract Services				
Other Operating Expenditures				
Minor Capital				
Total	**$0**	**$0**	**$0**	**$0**

PROGRAM DESCRIPTION

The accounting program coordinates preparation of the City's budget, issues financial reports and administers the disbursement of City funds in accordance with adopted fiscal policies and internal control procedures. Program goals are 1) developing and implementing effective and efficient financial planning, reporting, and accounting systems that help the operating departments achieve their objectives; 2) providing quality customer service; 3) protecting the City's resources from unauthorized use. This program has five major activities:

■ **Financial planning and reporting.** Coordinating preparation of the two-year financial plan, annual budgets and mid-year budget reviews; preparing the comprehensive annual financial report (CAFR); coordinating annual and special audits; preparing annual State Controller's Reports; issuing interim financial reports on the City's fiscal and budgetary status; preparing the cost allocation plan; calculating the annual appropriation limit; maintaining on-line access of financial information to department fiscal officers and other City system users; maintaining accurate and timely financial information on the City's web site.

■ **Payroll.** Processing the City's employee payroll; filing monthly and annual reports with taxing authorities and regulatory agencies; coordinating employee benefit coverage and reporting with the Human Resources Department; processing payments for insurance benefits and withheld taxes; providing payroll statistics to various departments and agencies.

■ **Accounts payable.** Processing the City's accounts payable and issuing checks to vendors; filing monthly and annual reports required by regulatory agencies; reviewing internal controls and adhering to established payables procedures; maintaining vendor and encumbrance files; reviewing contract pay estimates.

■ **General accounting services and policies.** Maintaining the general ledger system and chart of accounts; preparing daily cash deposits and reports; reconciling monthly bank statements; establishing accounting and purchasing policies systems and practices; coordinating cooperative purchasing opportunities; reviewing contract documents for compliance with City purchasing policies; administering the City's real and personal property management systems; coordinating FEMA/OES disaster cost recovery activities; reviewing claims to recover the cost of providing state-mandated services (SB90); maintaining historical records of the City's financial performance.

■ **Support services.** Processing and distributing interdepartmental and U.S. mail; administering formal bids for purchases of supplies, equipment and services (placing bid notices; opening bids; reviewing insurance endorsements; coordinating contract execution; monitoring insurance after bid award); inventorying and ordering copier/printer paper supplies.

STAFFING SUMMARY				
Regular Positions				
Finance Manager*	0.5	0.5	0.5	0.5
Accounting Supervisor	1.0	1.0	1.0	1.0
Accounting Assistant	3.0	3.0	3.0	3.0
Total	**4.5**	**4.5**	**4.5**	**4.5**
Temporary Positions				
Full-Time Equivalents (FTE)	0.3	0.3	0.3	0.3 *

Allocated 50% to Accounting and 50% to Revenue Management

PROGRAM: Accounting (continued)
DEPARTMENT: Finance & Information Technology

SIGNIFICANT PROGRAM CHANGES

Reductions Required to Balance the Budget

■
■

Increases Required to Support Basic Service Levels

■
■

2009-11 PROGRAM OBJECTIVES

Major City Goals

■
■
■

Other Council Goals

■
■
■

Other Program Objectives

■
■
■

	Actual	Projected	2009-11 Financial Plan	
WORKLOAD MEASURES	2007-08	2008-09	**2009-10**	**2010-11**
Payroll checks and direct deposits				
Vendor invoices				
W-2's issued				
1099's issued				
Contracts processed				

SHORT TITLE

OBJECTIVE

Generally, this should be the action statement adopted by the Council, but some word-smithing is okay if it will make the goal clearer.

DISCUSSION

This section has three key parts, which can be presented in any fashion that best tells the story, as long as each topic is addressed:

1. **Proposed Workscope**. Summary description of the proposed work program.

2. **Existing Situation**. What existing facilities or conditions will be affected?

3. **Project Work Completed.** What related work has the City done in the past?

WORK PROGRAM CONSTRAINTS AND LIMITATIONS

What are the constraints that might limit program implementation and success, such as when it can be done and how much it will cost? In short, what are the significant obstacles we can reasonably expect to face in implementing this program? Examples include:

1. Regulatory permits or approval of the project by another governmental agency (or private individual or business).

2. Complex environmental review.

3. Significant public involvement or coordination issues with business, community or neighborhood groups (see "Stakeholders" below).

4. Any other significant stakeholder or special review considerations that will affect project implementation.

What are the strategies for successfully overcoming these challenges? (If it's predictable, it's preventable.) And are there any key issues that will not be resolved <u>even if</u> the program is successful in meeting its objectives and providing its deliverables? If so, what are these?

STAKEHOLDERS

Who will be affected by this program – both inside and outside of the organization? What are the strategies for ensuring that stakeholders are involved in a meaningful way? This can be a major planning effort on its own, so be sure to account for this in the "Action Plan" below.

SHORT TITLE

ACTION PLAN

Be realistic in scheduling tasks. Don't assume the "best case;" assume the "most likely case." If you end-up making significant changes to this action during the next two years, it means one of two things: you failed to adequately plan for the objective; or you failed in executing the plan. Do not include tasks that go beyond June 30, 2009.

Task	Date
1.	
2.	
3.	

KEY WORK PROGRAM ASSUMPTIONS

What are your key assumptions about uncertain information forming the basic building blocks for work program planning and execution? For example, what is the basis for cost projections and how are these likely to change? What are your key assumptions for the "Action Plan?"

RESPONSIBLE DEPARTMENT

Who's accountable for getting this done? In some cases, more than one department will be responsible for certain tasks, or there will be a lead department with support from others. This should be noted, but there should also be a clear indication overall who's "it" in achieving the goal.

FINANCIAL AND STAFF RESOURCES REQUIRED TO ACHIEVE THE GOAL

What will it take to achieve the goal? Do we have to add resources to do this? If so, then there should be a Significant Operating Program Change (SOPC) or Capital Improvement Plan (CIP) request related to the work program (and in some cases, several of each, as well as the possibility of showing cost reductions). In this case, the following charts should be used in identifying the budget requests and funding sources.. (Double-click on the embedded Excel spreadsheet to open it up.)

Cost Summary

	Operating Programs		Capital Improvement Plan	
	2007-08	2008-09	2007-08	2008-09
SOPC or CIP Request Title* SOPC or CIP Request Title* SOPC or CIP Request Title*				
Total	**$0**	**$0**	**$0**	**$0**

Funding Sources

	Operating Programs		Capital Improvement Plan	
	2007-08	2008-09	2007-08	2008-09
Funding Source Funding Source Funding Source				
Total	**$0**	**$0**	**$0**	**$0**

SHORT TITLE

In general, some narrative will generally be required to explain this chart. Costs should not be shown beyond the two-year timeframe. In the case of CIP projects, narrative can be added to indicate future year costs, but years three and four should not be shown: as with the "Action Plan," we want to be focused on "deliverable" for the next two years. Lastly, in costing proposals, be realistic in assessing costs, from both a "hard cost" and indirect cost perspective.

GENERAL FUND REVENUE POTENTIAL

This should not be a detailed, highly quantified cost benefit analysis; but rather, a "high level" discussion about any likely General Fund revenue potential if we achieve the goal. If applicable, it's okay to say that it is unlikely that there will be any significant General Fund revenue enhancements as a result of achieving this goal.

OUTCOME—FINAL WORK PRODUCT

What will we get if we achieve the goal, and why is this important?

2008

When	Who	What
September 2, 2008	Council	• Approves Financial Plan process and schedule.
September 30, 2008 *Special Workshop* *7:00 PM to 10:00 PM*	Council	• Reviews fiscal update and approves short-term budget actions.
October 9, 2008	CAO/Finance	• Updates advisory body chairs on the goal-setting process.
October 16, 2008	Finance	• Issue CIP budget instructions
October 20, 2008	Departments	• Complete status of General Plan programs; long-term CIP; status of current goals & objectives; status of current CIP projects; and General Fund "maintenance-only" CIP.
November 10, 2008	Departments	• Submit advisory body goal recommendations to Finance & IT.
	Finance	• Begins sending letters inviting participation in goal-setting process to community groups and interested individuals; and begins inserting Community Budget Bulletins in utility bills.
November 17, 2008	Finance	• Distributes consolidated listing of draft recommended goals to advisory bodies for their review.
November 20, 2008 *Special Workshop* *7:00 PM to 10:00 PM*	Council	• Holds workshop on status of General Plan and programs, long-term capital improvement plan (CIP), Major City Goals, objectives and CIP projects; results of cost of services study; and general fiscal outlook.
December 1, 2008	Departments	• Complete final fleet replacement requests due • Complete *draft* CIP requests (other than for fleet replacements) requiring review by Engineering, IT and the General Fleet Coordinator.
December 5, 2008	Finance	• Distributes fleet replacement requests to CIP Review Committee.
December 16, 2008 *Regular Meeting*	Council	• Finalizes goal-setting process; considers Financial Plan policies and organization; reviews audited financial results for 2007-08; and discusses results of General Fund five-year fiscal forecast.
December 29, 2008	Departments Finance	• Submit any changes in advisory body goals to Finance. • Receives written comments from community groups and interested individuals, and any changes in goals from advisory bodies.

2009

| When	Who	What
January 7, 2009	CIP Review Committee	• Review fleet replacement requests with departments; prepare recommendations for City Manager
January 9, 2009	CIP Review Committee	• Provides any final comments to Finance on fleet replacements by noon
January 14, 2009	Finance	• Summarize, compile and distribute final fleet replacement recommendations to City Manager
January 15, 2009 *Special Workshop* 6:30 to 9:30 PM	Council	• Holds community forum at the Ludwick Community Center.
January 20	Finance & IT	• Distributes and holds briefing on 2009-11 Budget Instructions.
January 31, 2009 *Special Workshop* 8:30 AM to 4:00 PM	Council	• Holds goal-setting workshop: discusses candidate goals presented at January 14 community forum; discusses Council member goals distributed on January 29; prioritizes and sets major City goals.
February 2, 2009	Departments	• Complete final CIP budget requests. • Submit Non-operating budget balancing suggestions (NOBBs)
February 3, 2009	Council	• Finalizes goals and priorities (if needed).
February 5, 2009	Departments	• Attend "usual suspects" briefing on outcome of Council goal-setting and coordinate work program preparation and next steps.
February 19, 2009	Department Heads	• Brainstorm Major City Goal work programs
February 11, 2009	CIP Review Committee & Budget Review Team	• Review CIP requests with departments
February 12, 2009	CIP Review & BRT	• Prepare CIP recommendations to the City Manager
February 23, 2009	Departments	• Operating budget reduction targets provided
February 24, 2009 *Special Workshop* 7:00 PM to 10:00 PM	Council	• Considers mid-year budget review. • Considers results of Cost of Services Study

When	Who	What
March 9, 2009	Departments	• Complete operating budget requests, major City goal work programs and any revised or added CIP requests to reflect Council goals and objectives; and department revenue estimates. • Submit operating budget reduction strategies
March 10, 2009	Finance	• Summarize, compile and distribute Major City Goal work programs and supplemental/revised CIP's for the Council goals to Budget Review Team
March 12, 2009	Finance	• Summarize, compile and distribute SOPC's and operating budgets to Budget Review Team.
March 12 to March 18	Budget Analysts	• Meet with departments to review operating budgets, SOPC's and narratives.
March 19-20, 2009	Operating departments/BRT	• Hold initial review of operating budget requests and major City goal work programs with operating department representatives.
March 23, 2009	Finance Budget Review Team	• Summarize results of 3/19-3/20 budget reviews • Begin preparing preliminary financial plan • Review financial position and craft SOPC recommendation for City Manager
March 24, 2009	City Manager/BRT Finance	• Brief City Manager on major City goal work programs • Present operating budget recommendations to City Manager • Begin finalizing major City goal work programs packet and Council agenda report.
April 1, 2009	Finance	• Agenda report for Major City Goals (4/14 meeting) due
April 14, 2009 *Special Workshop* *7:00 to 10:00 PM*	Council	• Approves detailed work programs for Major City Goals • Sets strategic budget direction in preparing Preliminary Financial Plan
April 20, 2009	Departments Finance	• Revised SOPC's/Narratives are due by Noon • CIP Re-writes are due by Noon • Begin work on Appendix B
May 22, 2009	Finance	• Agenda report due for June 4th meeting
May 26, 2009	Finance	• Completes Preliminary Financial Plan and sends to printer.
May 27, 2009	Finance	• Agenda report due for June 9th meeting
May 28, 2009	City Manager	• Finalizes budget recommendations and issues preliminary budget.
May 29, 2009	Enterprise funds	• Agenda report due for June 11th meeting

June 4, 9, 11, 2009
 	
Special Workshops
Preliminary Budget
7:00 to 10:00 PM
	Council	• Holds evening workshops to review and discuss Preliminary Budget:
		  − June 4: Overview and General Fund operating programs.
		  − June 9: General Fund CIP projects.
		  − June 11: Enterprise Fund programs, CIP projects and rates.

June 10, 2009	Planning Commission	• Reviews CIP for General Plan consistency.
June 16, 2009	Council	• Holds continued Financial Plan review and adopts budget
June 23, 2009	Council	• Holds special meeting to continue review and adopt budget if required

Key Council Dates in Bold

Goal-Setting and the Budget Process
2009-11 Financial Plan

Advisory Bodies

Letters from Community Groups

Community Surveys

Letters from Individuals

Goal-Setting Input

Community Forum January 14, 2009

Fiscal Forecast **

*Current 2-Year Goals ***

*Long-Term Plans, Goals & Policies ***
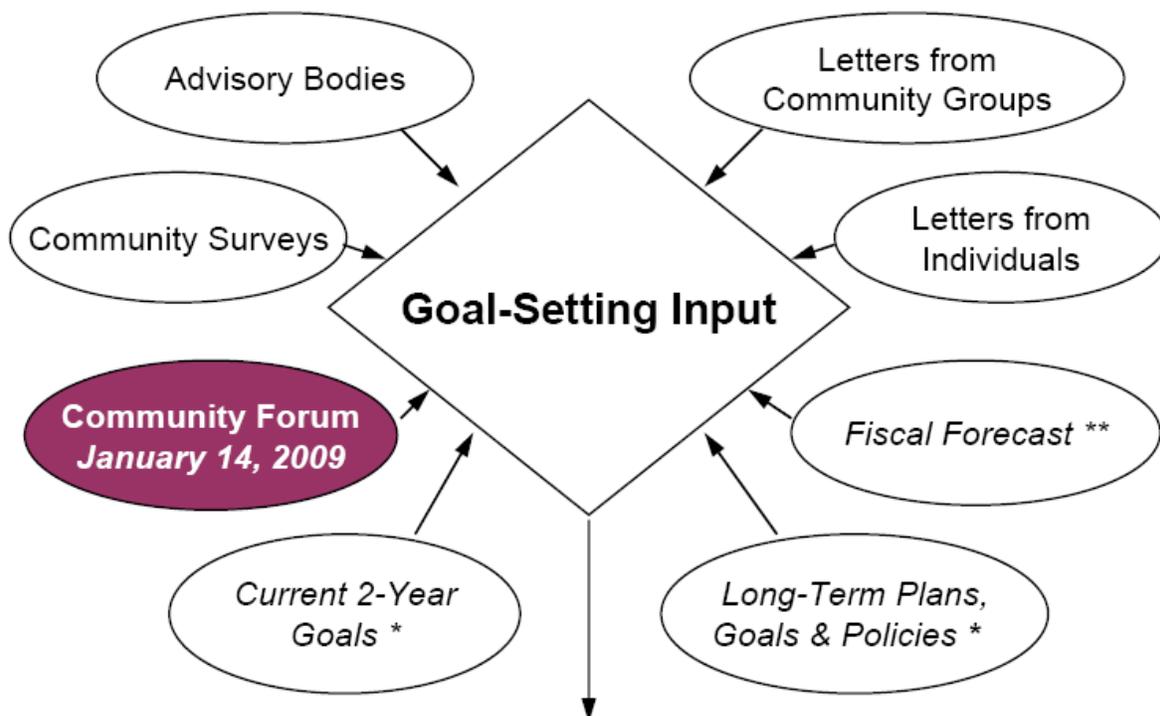
* November 20, 2008 "Setting the Table" Budget Workshop

Council Goal-Setting Workshop January 31, 2009

** December 16, 2008 "Budget Foundation" Workshop

Staff Budget Preparation

Major City Goal Work Programs & Strategic Budget Direction: **April 14**
Preliminary Budget: **May 28**
Budget Workshops: **June 4, 9 and 11**
Adopted Budget: **June 16, 2009**

city of san luis obispo

BUDGET BALANCING STRATEGY: GUMBO II

December 20, 2009

GENERAL CONCEPT

Start working on budget-balancing strategies now by meaningfully involving all employees in the organization.

But no operating reduction options to Administration until after we know the specific goal.

We will begin working on all of the key budget-balancing strategies ("Gumbo II") available to us concurrently, both "non-departmental" options—such as capital improvement plan (CIP) reductions, use of fund balance, new revenues and across-the-board reductions (such as unpaid time-off)—as well as "departmental" operating program reductions.

Accordingly, departments should begin brainstorming operating program reduction ideas right away, with the goal of initially identifying as many ideas as possible in closing the projected annual General Fund budget in 2009-11 of $10.4 million.

However, these *operating* budget reduction ideas do not need to be finalized or shared with the City Manager until the operating budget reduction *option* targets are issued. This will not happen until later in the process, after we have identified the likely mix of the other budget-balancers. In this way, we can better scope the role that operating program reductions will need to play in crafting a balanced budget for 2009-11 before focusing on detailed options.

Importance of Assessing Community Priorities. Additionally, we will have a better idea of community and Council priorities after the Community Forum on January 15 and Council goal-setting on January 31. As such, it makes sense to wait until after this to finalize our overall budget-balancing strategy and before

asking departments to submit specific operating program reduction options.

In short, given the significant fiscal challenges facing us, there is no way we can avoid making tough decisions. On the other hand, there is no reason to needlessly raise anxiety over things that *might* happen: we will be better served by first refining our options other than operating program reductions; and being informed in doing so by the community priorities that will emerge from our goal-setting process.

Employee Involvement. As detailed below, employees throughout the organization will be meaningfully involved in crafting budget-balancing solutions.

"GUMBO II"

This is not the first time that the City has faced tough times. From a "percentage" perspective, 2003-05 was a larger gap.

At that time, the City Manager compared the budget balancing challenge ahead of us as being like making Gumbo.

Gumbo can be prepared in a variety of ways, with hundreds of possible ingredients and spices. However, a chef that wants to make gumbo that is well received and digestible certainly won't use them all. Instead, a wise chef will be selective about what goes into the final recipe—because if too much goes in, the gumbo will become bogged down, imbalanced, indigestible and basically undesirable.

To select which "ingredients" to put into the "first batch" of stew, the City Manager will consider the following "gumbo criteria:"

1. **Ready by the Dinner Bell?** Can the ingredient actually be cooked in time for our dinner deadline? (July 1, 2009)

2. **Presentation/Aroma.** Will the gumbo "look right/pass the smell-test" for the multi-faceted customers that we serve? (Looking/smelling good to only one customer group won't be good enough).

3. **Balance.** Is the gumbo balanced, or is it overloaded with one ingredient or another? Has the chef, for example, added only the things that were the easiest for him to find and dump into the pot?

4. **Shared Dieting (Equality of Sacrifice)**. Will it appear that the chef has put everyone in the community on a diet except himself? Or, has the chef (and his employees) noticeably tightened their belts, too?

5. **Affordability.** Related to the above, will the gumbo be affordable to the customers that must buy it? Are we sensitive to cost?

6. **Service.** The gumbo might be great, but if the service is bad, no one will buy it. What are the service impacts of the recipe?

7. **Aftertaste.** Will there be a clean after-taste, or a bitter one? Will the chefs be trusted by customers to serve gumbo again?

8. **Anything Left in the Pantry?** In case an unexpected "rush-order" of gumbo comes in after serving up the first big helping, will we have any ingredients left to make more gumbo?

"TWO-STEP" PROCESS

As reflected below, budget-balancing submissions to the City Manager will be a two-step process, with both "steps" following the results of Council goal-setting:

❶ First, submittal of "non-departmental" budget-balancing ideas that will help mitigate the level of operating budget reductions that will be needed, such as CIP

reductions, fund balance, new revenues and across-the-board organizational reductions.

❷ And then "departmental" operating budget reduction options once we have better assessed the role that they will need to play.

Schedule

What	When
1. Departments begin brainstorming budget-balancing ideas.	12/19/08
2. Council holds Community Forum.	1/15/09
3. Finance issues Budget Instructions	1/20/09
4. Council holds goal-setting workshop and provides direction to staff.	1/31/09
5. Departments submit "non-departmental" budget-balancing ideas and CIP budget requests.	2/2/09
6. CIP Review Committee evaluates budget requests and recommends "lowest reasonable General Fund CIP."	2/11 and 2/12/09
7. City Manager develops mix of likely "non-departmental" operating budget balancers and issues resulting operating program reduction option amounts.	2/20/09
8. City Manager holds departmental briefings to discuss budget-balancing strategy and the role of operating budget reductions.	2/23 to 3/2/09
9. Departments submit "departmental" operating program reduction options.	3/9/09
10. City Manager develops "Strategic Budget Direction" for Council consideration in balancing the 2005-07 budget.	4/1/09
11. Council considers "Strategic Budget Direction."	4/14/09

DEPARTMENT REDUCTION OPTIONS

As reflected above, formal department recommendations will not be required until after the need for operating reductions has been better defined, based on the likely "Gumbo" mix of other budget-balancers. However, once this has been developed (tentatively scheduled for February 23, 2009), the following "ground rules" will apply:

1. Departments will be asked to identify, in priority order, expenditure reduction *options* on a percentage basis of their approved 2008-09 General Fund operating budget, less any one-time costs, encumbrances or carryovers.

2. While this will be based on the City Manager's best assessment of the remaining gap facing us after applying other likely budget-balancers, it may not be enough because of adverse receptivity to the other mitigation strategies and revisions in forecast estimates – and we may have to go back for more options.

3. All departments will be assigned the same percentage reduction *option*. In aggregate, this will be more than the "net" amount needed from operating program reductions in order to surface an array of policy choices, and avoid being driven by arbitrary across-the-board decreases.

4. Other than the "general guidelines and principles" below, there are no "a priori" restrictions on the kinds of cost reductions that departments can propose.

5. As noted above, operating expenditure reduction *options* will be due on March 9, 2009 along with all other budget submittals. (Other budget-balancing suggestions are due on February 2, 2009).

General Guidelines

Department heads are responsible for crafting expenditure reduction *options* for the City Manager's consideration that are real, doable and:

1. Reflect the least service impacts to the community: no game-playing in proposing least-likely reductions and non-starters.

2. Describe service impacts.

3. Are ongoing.

4. Are within the City's ability to do independently: no speculative reductions contingent upon actions by others.

5. Can be implemented by July 1, 2009 for non-staffing options; and by January 1, 2010 for staffing options (and depending on the circumstances, perhaps even beyond this.)

6. Are net of any related revenues from fees or grants.

7. Maintain essential facilities, infrastructure and equipment at reasonable levels.

8. Reflect participation from throughout the organization.

Key Principles in Preparing Options

1. Any service reductions will be balanced, and ensure that highest priority services are retained.

2. Reductions will be based on service priorities, not vacant positions: attrition is a helpful tactic, but it will not be the driving strategy in reducing costs. On the other hand, one of the key purposes of the current "hiring freeze" is to create flexibility in making reductions based on priorities while mitigating the need for lay-offs.

3. Focus will be on retaining "front-line" core services and reducing services with least impact on community at-large.

4. On the other hand, we need to preserve "organizational" infrastructure.

EMPLOYEE INVOLVEMENT

Core Principles

The overarching principle is to treat our employees with respect, honesty, integrity and trust in preparing a budget-balancing strategy. This means meaningfully involving them in the process and genuinely soliciting their input.

It also means sharing the hard facts (and consequences) in a straightforward and timely way, even if this is painful at times for the organization. Because ultimately, respect and trust means believing (contrary to Jack Nicholson's Marine Colonel Jessup in *A Few Good Men*) that they *can* handle the truth.

Lastly, it is important for employees to recognize that while we want their participation and genuinely value their ideas, ultimately proposing expenditure reductions to the City Manager is the Department Head's responsibility; and that balancing these with other mitigation strategies in recommending an overall budget-balancing plan to the Council is the City Manager's responsibility.

Employee Involvement Plan Concepts

Department Heads are responsible for including the following elements in meaningfully involving their employees in preparing expenditure reduction options.

Initial Brainstorming

1. Ensure that all employees in the department are aware of the problem facing the City.

2. Solicit budget-balancing suggestions from all employees: "non-departmental" (CIP reductions, fund balance, organization-wide cost reductions and new revenues) and "departmental" operating cost reductions.

3. "Non-departmental" budget-balancers will be due to the City Manager first; "departmental" options at this stage are for departmental use only, and should be prepared with the simple goal of identifying as many options as possible in closing the estimated $10.4 million gap.

4. Compile the results and share them with all employees in the department.

Operating Program Reduction Options

1. Ensure that all employees are aware of the specific budget reduction options amount assigned to the department, and the "ground rules" on how to prepare them.

2. Shortly after the expenditure reduction option guidelines are issued, hold individual department briefings with the City Manager. This is an opportunity for the City Manager to present the budget-balancing strategy, respond to employee concerns about what we're doing and why.

3. Solicit any additional suggestions from all employees on operating expenditure reductions: what would they propose if they were the department head? These suggestions can be anonymous and provided to the department head in any format.

4. Compile the results from Step 3 and share them with all department employees.

5. After receiving comments, craft whatever internal decision-making process makes the most sense for the department.

6. Share the Department Head's recommendations to the City Manager with all employees in the department, explain why these were picked and not others, and provide an opportunity for department employees to discuss them with the Department Head.

Communication Methods

This can be through emails, memos, division/section/shift meetings or department-wide meetings. (All of these in combination is probably the best approach.) Staff from Administration and Finance & IT are available to assist in presenting the problem and explaining the department's tasks.

MORE INFORMATION
WITH BUDGET INSTRUCTIONS

More information about *how* to prepare this information will be provided in the *Budget Instructions*, which will be distributed on January 20, 2009. The schedule for the entire budget process (all the way through adoption on June 16, 2009) are available on-line and will also be included in the instructions and State-of-the City presentations in January.

T:\Budget Folders\2009-11 Financial Plan\Budget Balancing Strategies\Budget Balancing Concepts, 2009-11.doc

2008-09 General Fund "Base" Operating Budget

	2008-09 Operating Budget	Percent of Total
Administration	2,418,800	4.7%
City Attorney	546,900	1.1%
City Clerk	548,100	1.1%
Human Resources (1)	1,248,200	2.4%
Finance & IT	4,075,900	7.9%
Community Development	2,940,000	5.7%
Parks & Recreation (2)	3,832,400	7.4%
Public Works	12,264,600	23.8%
Police	13,313,200	25.8%
Fire	10,422,700	20.2%
Total	**$51,610,800**	**100.1%**

Liability Insurance	1,232,500
Golf Fund Transfer	(313,200)
General Fund Total	**$52,530,100**

Notes

1. Human Resources is adjusted downward for liability insurance.
2. Parks & Recreation is adjusted upwards for the Golf Fund operating subsidy.
3. Excludes reimbursement transfers