
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: February 24, 2010

IBA Report Number: 10-18

Guiding Principles for Structural Budget Deficit Elimination Plan

The purpose of this report is to transmit the eleven Guiding Principles as amended and adopted by the City Council on February 22, 2010. These Principles will guide the development of a comprehensive plan over the next several months to eliminate the City's structural budget deficit. The Mayor's Office has committed to working with the Independent Budget Analyst, the Budget and Finance Committee and the full City Council in the development and implementation of this Plan.

On December 9, 2009 the City Council adopted resolutions recommended by the Mayor to enact \$179 million in General Fund budgetary reductions in order to address budget shortfalls projected for FY 2010 and FY 2011. City Council approval was predicated on the commitment to address and solve the City's ongoing budgetary imbalances. This action provided an 18-month "bridge" allowing the City to work to achieve further structural reforms. The Mayor has preliminarily estimated a budget deficit of \$77 million for FY 2012.

In response to Council direction, on January 4, 2010 the IBA issued Report No. [10-01](#), "Developing a Structural Budget Deficit Elimination Plan" which proposed a set of guiding principles and key components deemed necessary to effectively address a structural budget deficit. The principles were discussed and amended by the Budget and Finance Committee on January 6 and 27, 2010 and referred to the City Council for final consideration. On February 22, 2010, the Council considered additional input from the Mayor's Office and the Independent Budget Analyst which resulted in Council adoption of the attached Guiding Principles.

[SIGNED]

Andrea Tevlin
Independent Budget Analyst

Attachment

STRUCTURAL BUDGET DEFICIT ELIMINATION
GUIDING PRINCIPLES
AS ADOPTED BY THE CITY COUNCIL (2/22/2010)
Resolution R-305615

1. Eliminate the General Fund structural budget deficit through a balanced approach of ongoing expenditure reductions and revenue generation, including identifying new revenue sources.
2. Until the City achieves its targeted General Fund reserve level of 8%, the City should not consider using reserve balances to balance any budget shortfall and should ensure that it does not drop below the current level of 7%.
3. Actively pursue alternative service delivery methods, including managed competition, efficiency improvements and elimination of service duplications.
4. Prepare a 5-year Outlook each year and provide numeric values for alternative budget balancing options based on input from City Council, Mayor, and IBA; be prepared each year to discuss alternative budget balancing options with the Budget Committee or City Council should the Outlook suggest an ongoing structural deficit.
5. One-time resources should be matched to one-time expenditures.
6. Achieve 100% cost recovery for programs and services that are intended to be fully cost recoverable through fees.
7. Reduce pension and retiree health care liability and annual City costs through the meet and confer process.
8. When deciding to construct new facilities or establish new programs, the City must take into consideration ongoing operation expenses and should identify ongoing funding to cover these expenses unless necessary to meet high priority needs.
9. Prioritize City services expenditures based on the City Charter requirements, Citizen Survey and other means of public input, benchmarking studies and departmental goals and performance data.
10. Maintain funding of the full annual required contributions (ARC) for the City's pension obligations in a manner compliant with City Charter and develop a plan to fully fund the Retiree Health Care ARC.
11. Develop a plan to fund deferred capital infrastructure and maintenance needs to reduce the current backlog, identify the level of funding necessary to prevent the problem from growing larger, and to reduce the potential of increasing costs to identify the level of funding. Discuss at Budget and Finance Committee a policy to calculate and identify the level of funding for deferred maintenance budget needs.