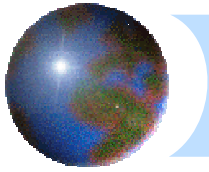


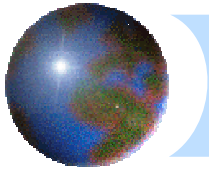
Preparing for our Financial Future

2009/10 General Fund Focus



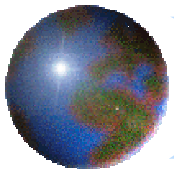
The fact is we'll never have all the information we need to make a decision – if we did, it would be a forgone conclusion, not a decision.

David Mahoney

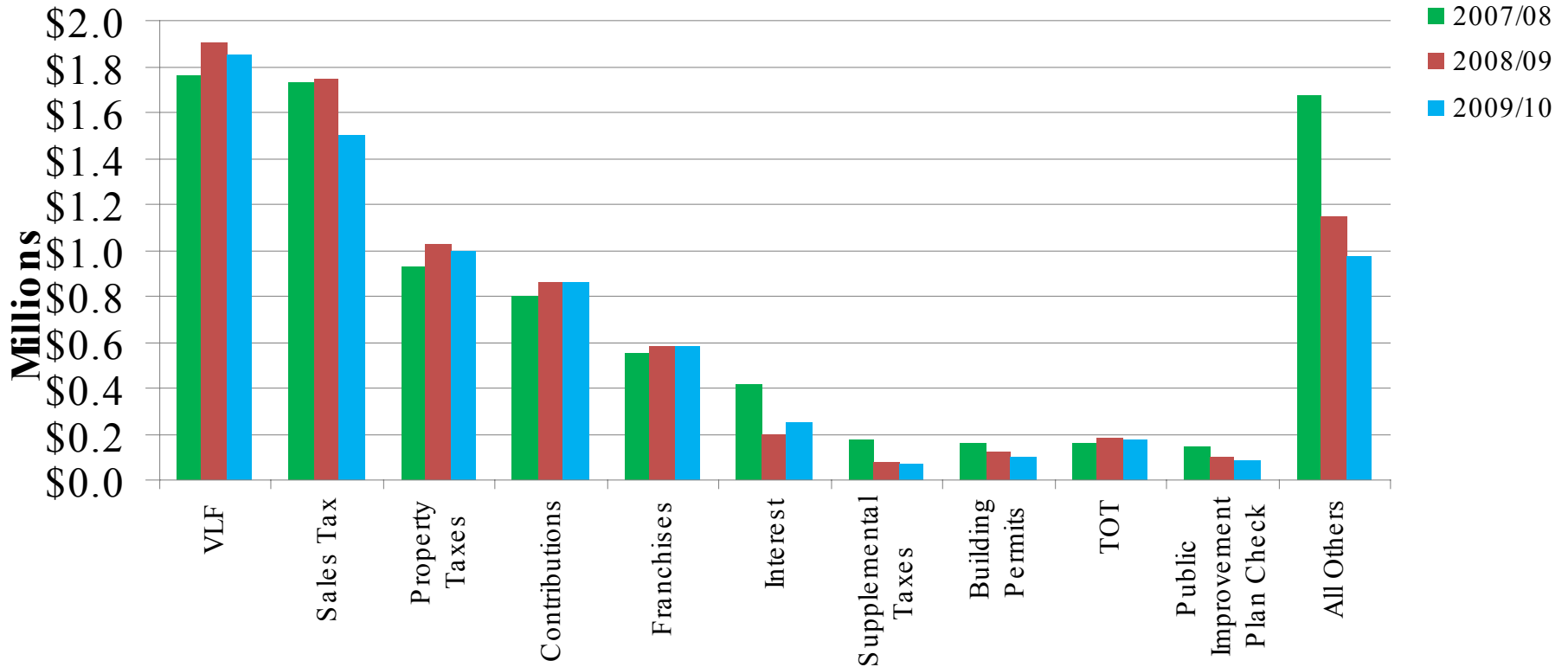


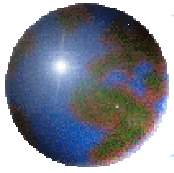
Revenue Assumptions

- No additional State takeaways
 - Passage of Propositions 1A – 1F on May 19
 - State closes new \$8 B budget gap with other resources
- No additional Lemoore businesses close
- Gas prices at \$2.75 per gallon
- Housing Values bottom out

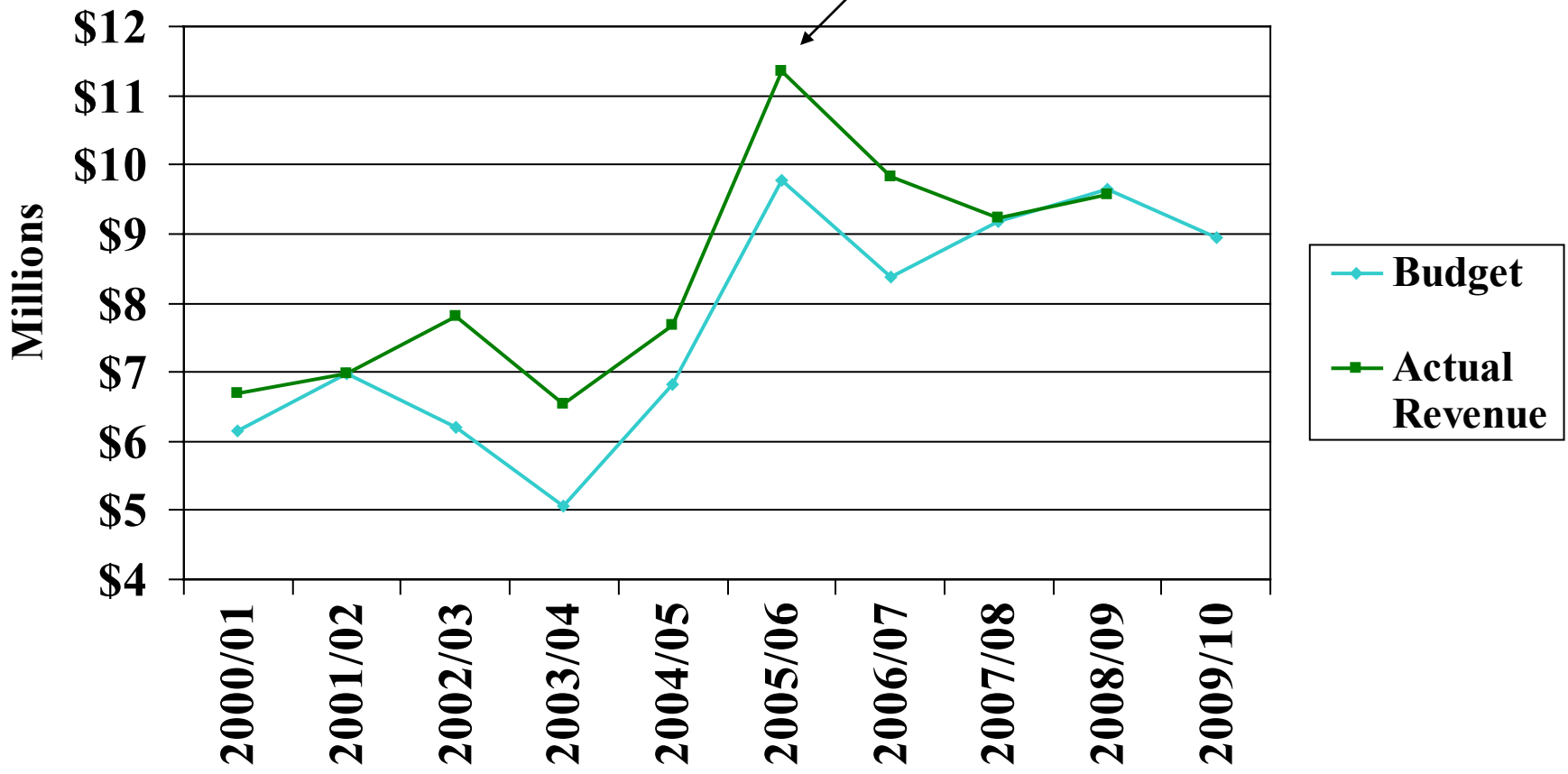


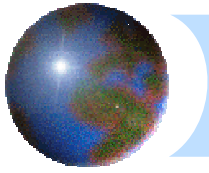
General Fund Key Revenue Sources - 2007/08 thru 2009/10





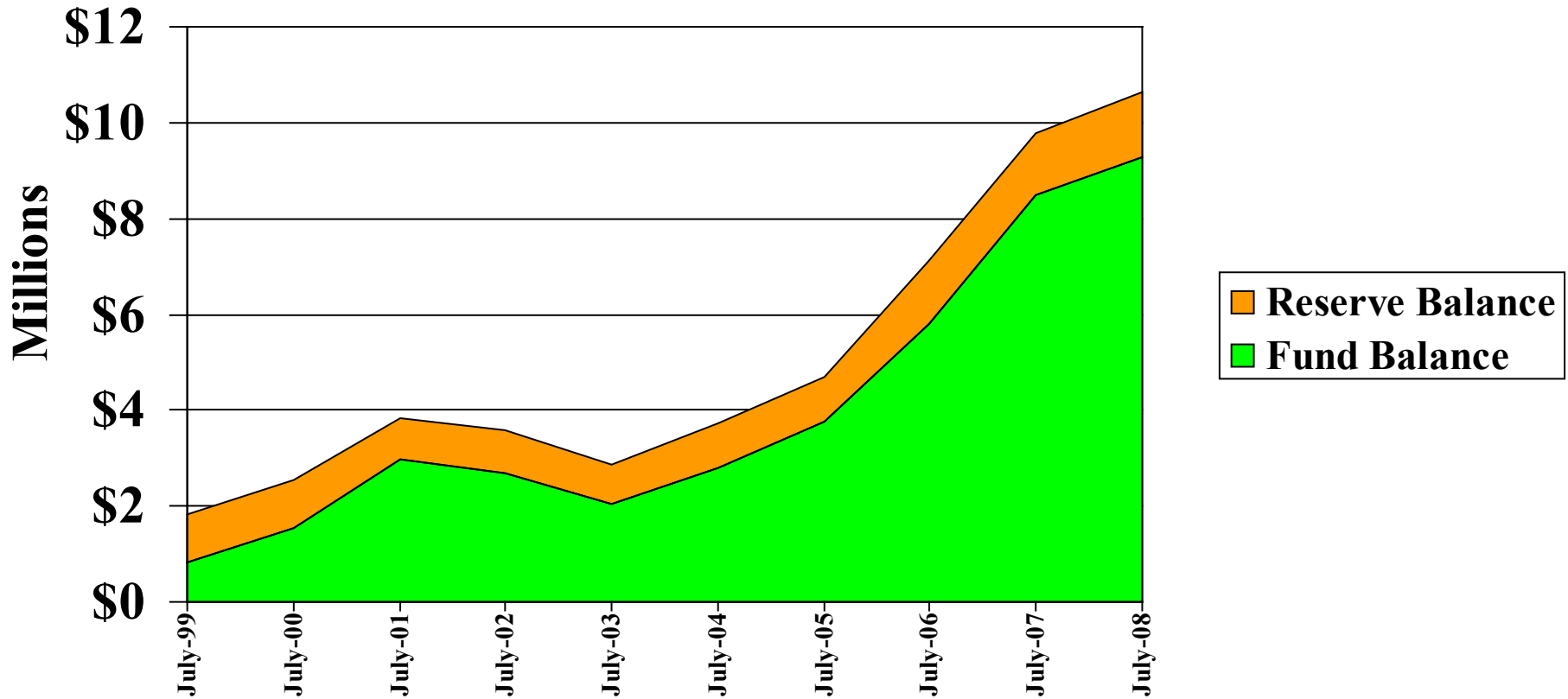
General Fund Revenue – 10 year period

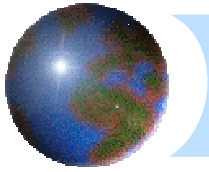




General Fund Balance

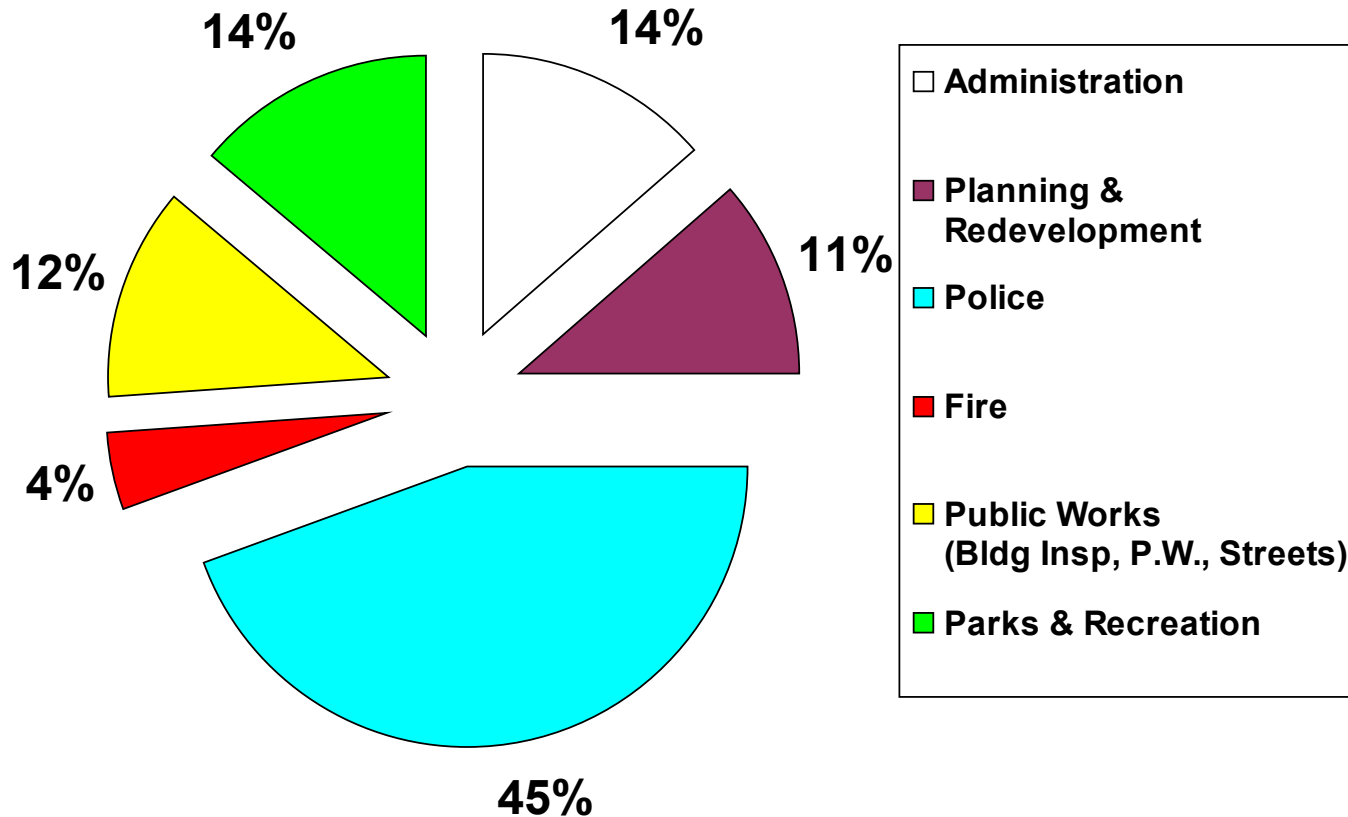
10 year period

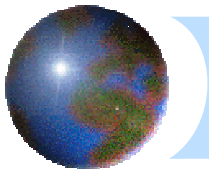




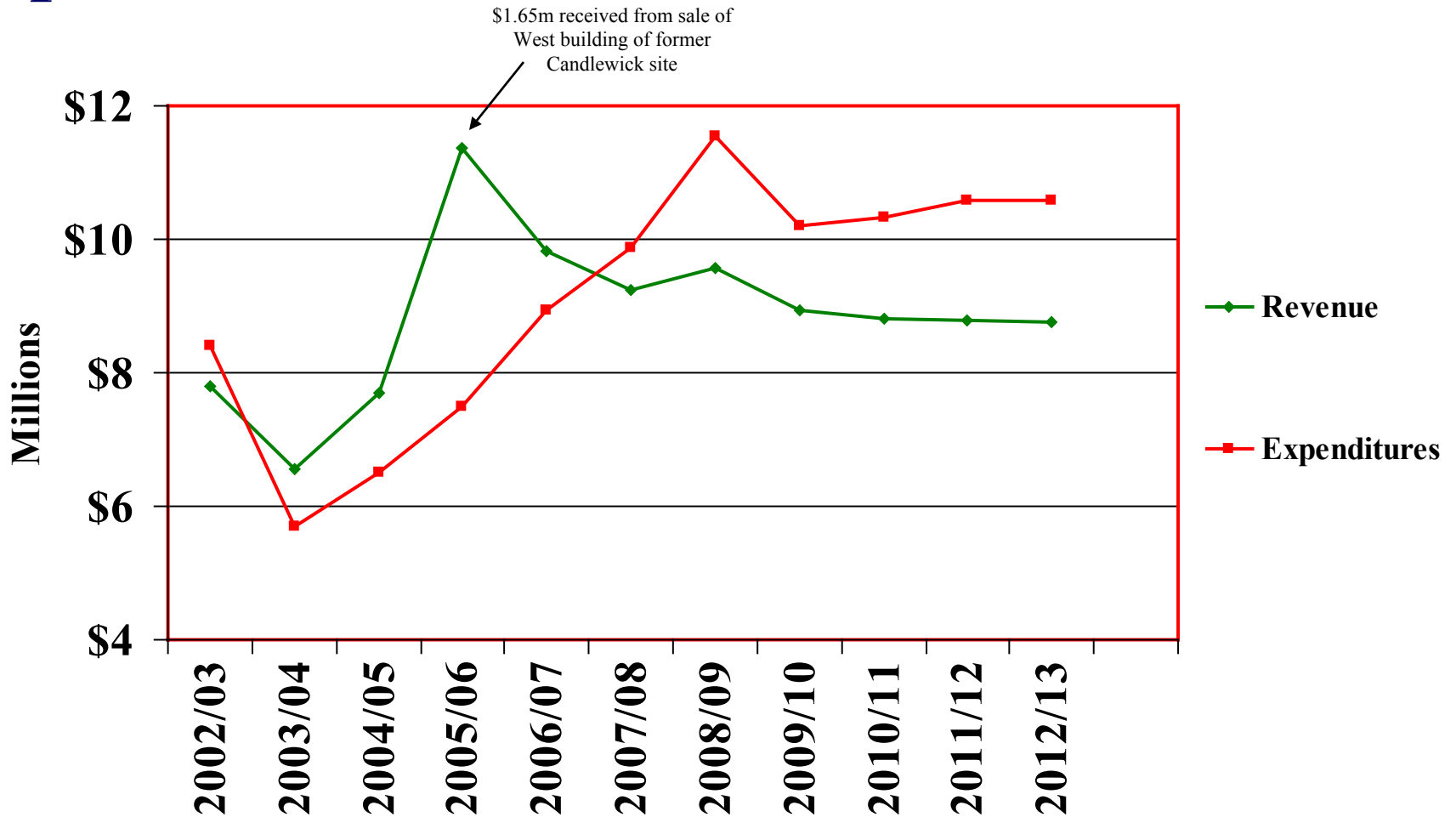
General Fund Expenditures

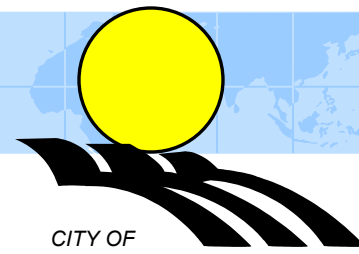
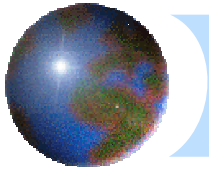
2008/09 = \$9,359,476





General Fund Revenue vs. Expenditures

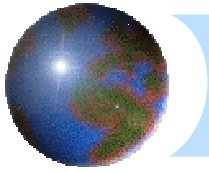




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Options going Forward

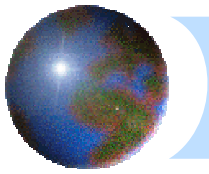
- Option 1 – Maintain service levels, regardless of economic downturn
- Option 2 - Balanced Budget
- Option 3 - Gradually phase-in balanced budget by end of FY 2010/11
- Option 4 – Eliminate lower priority services and cut spending in areas with reduced demands
- Option 5 – Hybrid of Options 3 & 4
- Option 6 – Modified Hybrid (new)



Option 1 – Maintain Services

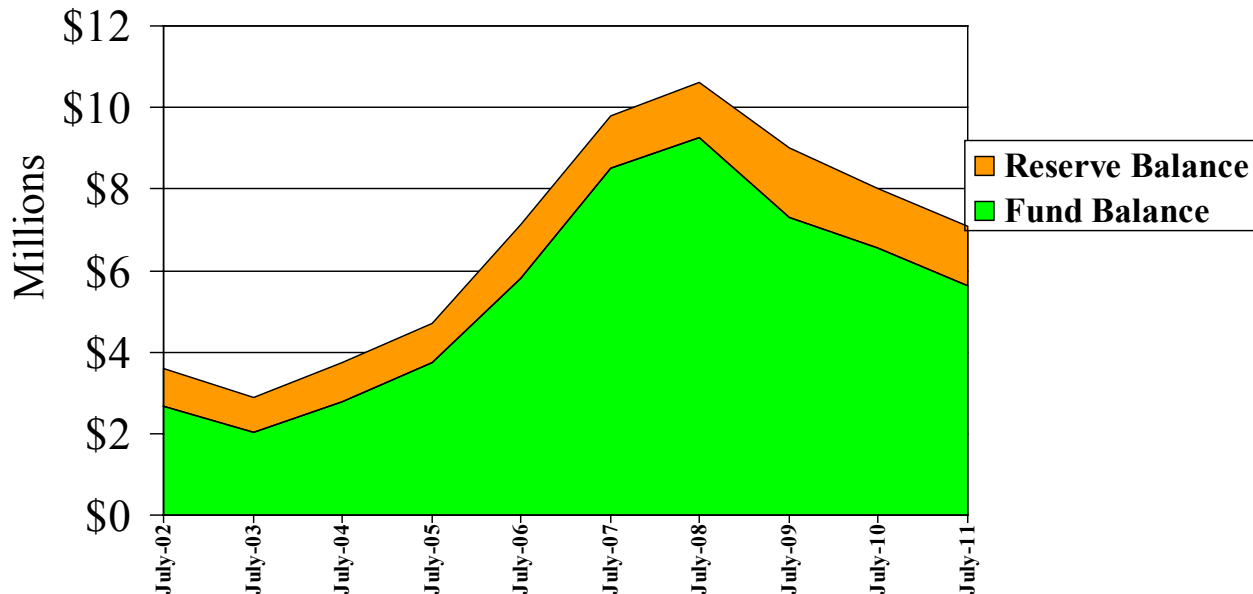
If we did this:

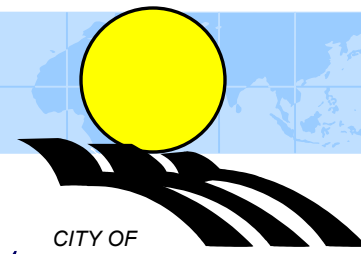
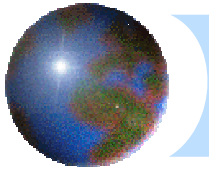
- General Fund Expenditures continue to increase due to:
 - \$60,000 in increase salary cost for 2009/10
 - GASE MOU includes 3% salary increases July 1, 2009 & July 1, 2010
 - PERS Retirement increases beginning 2011/2012
 - \$225,000 increase for 2011/12 to make up for losses in investments



Projected impact to General Fund Balance

- Even without staffing or salary increase (other than existing MOU with GASE) General Fund would be impacted by:
 - \$732,400 in 2009/10
 - \$920,000 in 2010/11
 - \$1,168,000 in 2011/2012
 - By June 30, 2012 (3 years out), Fund Balance could be approximately 1/2 of what it is today
 - Cash dry within 6 years without significant recovery





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Option 2 – *Balanced Budget*

Completely Balanced Budget for 2009/10

- Ongoing Expenditures Decreased by \$502,000 to match predicted revenue reduction
- Effective cut of \$846,000 from 2008/09 Budget Preparation, because of additional \$544,000 in salary increases made during the year

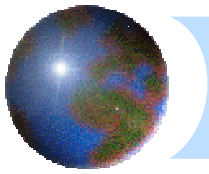
Department

4211 Council	\$ 7,762	
4213 City Manager	\$ 400,985	
4215 Finance	\$ 682,933	
4216 Planning	\$ 367,933	
4218 Comm. Participation	\$ 0	
4219 Redevelopment	\$ 241,858	
4220 Public Buildings	\$ 456,906	
4221 Police	\$3,723,980	
4222 Fire	\$ 360,718	
4224 Building Inspection	307,947	\$
4230 Public Works	\$ 314,224	
4231 Streets	\$ 421,520	
4241 Parks		

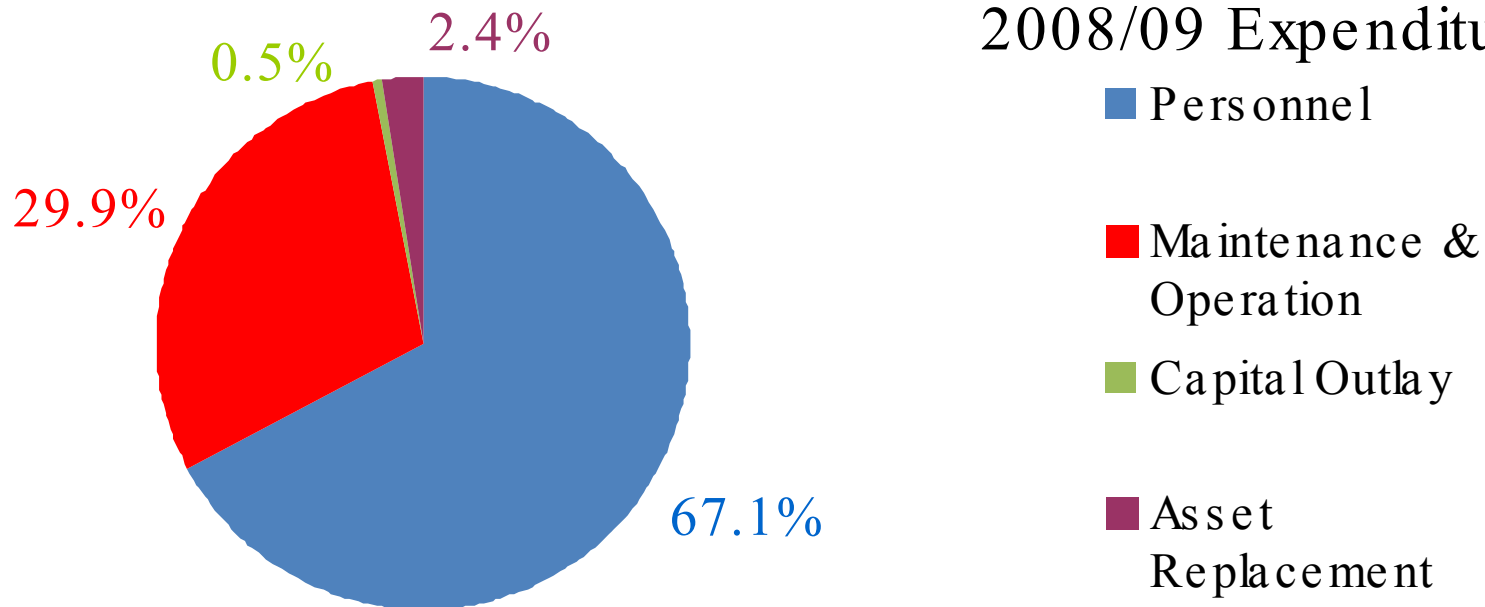
09/10 Target
Balanced Budget implemented July 1, 2009
Across-the-board Draconian reductions

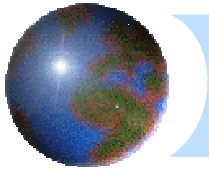
- Budget reduction targets issued in March 9, 2009





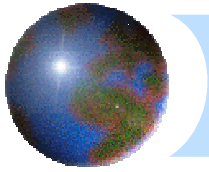
General Fund Expenditures by Type





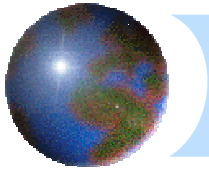
Short Term vs. Sustainable Solutions

- Short Term (Smoke & Mirrors)
 - Postpone purchases of supplies & equipment
 - Delay Asset Replacement Contributions
 - Delay Capital Improvements
 - Use 1-time revenue for ongoing commitments
- Sustainable
 - Leaner Organization
 - Reduced Staffing costs



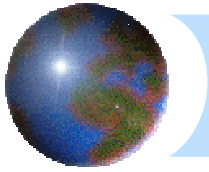
Position Elimination Summary

- 25 Positions Eliminated
 - Reduction of 11 Full-time Positions
 - 9 Employees - positions occupied; 2 currently vacant
 - Reduction of 14 Part-time Positions
 - 11 Employees - positions occupied; 3 currently vacant
- Immediate reductions in staff level
 - Layoffs
 - Personnel System Guidelines – Rule 13
- Alternatives include
 - Salary/Benefit reductions
 - Voluntary reductions in work hours
 - Furloughs
 - Retirement incentives
- Little time to explore options short of layoffs if Balanced Budget is expected to begin July 1, 2009



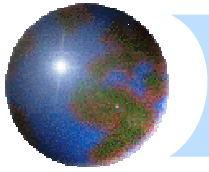
Option 3

- Gradually phase-in Option 2 to balance budget by end of FY 2010/11
 - Consume approximately \$1 M of Fund Balance if reductions are linear
 - Maintain Hiring Freeze
 - Attrition will ease City-initiated staffing cuts
 - Retirement Enhancements
 - Layoff Procedures
 - Consider City-wide Furloughs to minimize job losses beginning in 2010
 - Develop and implement plan to migrate staff



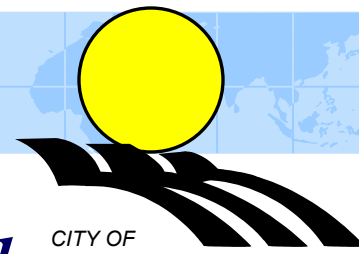
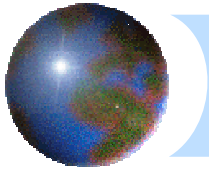
Option 4 - Reprioritize City Services

- **Demands for Development/Permits**
 - Building Inspection
 - Eliminate Building Inspector Position - \$72,000
 - Planning
 - Eliminate 1 Assistant Planner Position - \$68,000
- **Eliminate Non-essential Services**
 - Elimination of Recreation Dept = \$288,585
 - Close all City Parks - \$300,000
 - Outsource maintenance of Public Facilities grounds



Option 4 - Reprioritize City Services (continued)

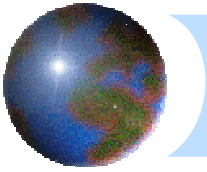
- **Outsource Fleet Maintenance Operation**
 - Contract with local businesses for routine maintenance
 - Develop relationships with other cities and Kings County to maintain specialty equipment
 - Maintain only 1 Fleet Technician for diagnosis and scheduling
 - General Fund savings estimated at \$25,000 to \$50,000
 - 4 positions eliminated
 - 2 Full-time
 - 2 Part-time
- **Must Still Cut \$350,000 by 2010/11 to achieve balanced budget**
 - Police
 - Administration
 - Street Maintenance



Option 5 – Hybrid Approach

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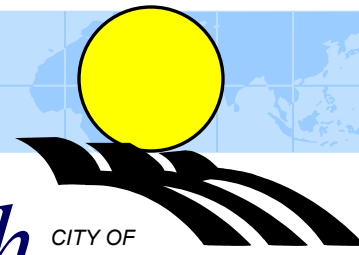
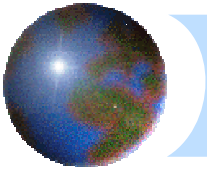
- Gradually reduce financial commitments
- Predict Demands for City Services
 - Areas expected to increase
 - Law Enforcement
 - Crime
 - Calls for service
 - Use of Parks
 - Fewer vacationers
 - Foreclosures lead to new apartment dwellers
 - Code Enforcement
 - Foreclosures
 - Concerns on the rise as property owners defer maintenance
 - Areas expected to decline
 - Building Inspections
 - Current Planning/Development Applications



Option 5 – Hybrid Approach

(continued)

- **Outsource services**
 - Public Facilities grounds maintenance
 - Fleet Maintenance
- **Improve operational flexibility**
 - Combine smaller divisions to create operational efficiency
 - Eliminate less-than-required administrative tasks/roles
- **Target “optional” services**
 - Across all City Departments
 - Recreational Programs
 - Traffic enforcement
 - Street Maintenance

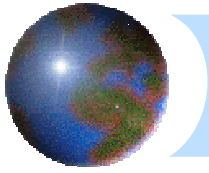


Option 5 – Hybrid Approach

(continued)

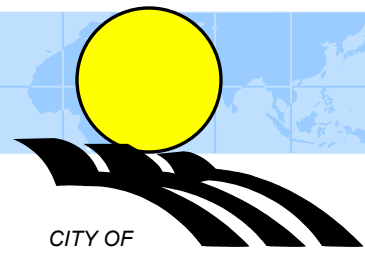
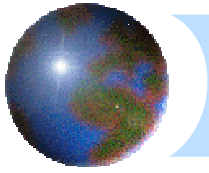
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- Re-create leaner and more efficient organization over 3-year period
 - Encourage targeted attrition
 - Utilize voluntary work hour reductions
 - Consider furloughs as a means to avoid layoffs
 - Consume no more than \$2 M of Fund Balance during implementation



Option 6 – Modified Hybrid Approach

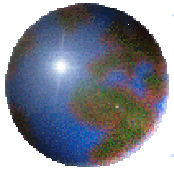
- Target a Balanced Budget by 2012/13
 - Up to 3 years of subsidized spending
- Consume no more than \$2 M of General Fund Reserves (Fund Balance)
- Postpone full-time employee layoffs until other measures have been implemented



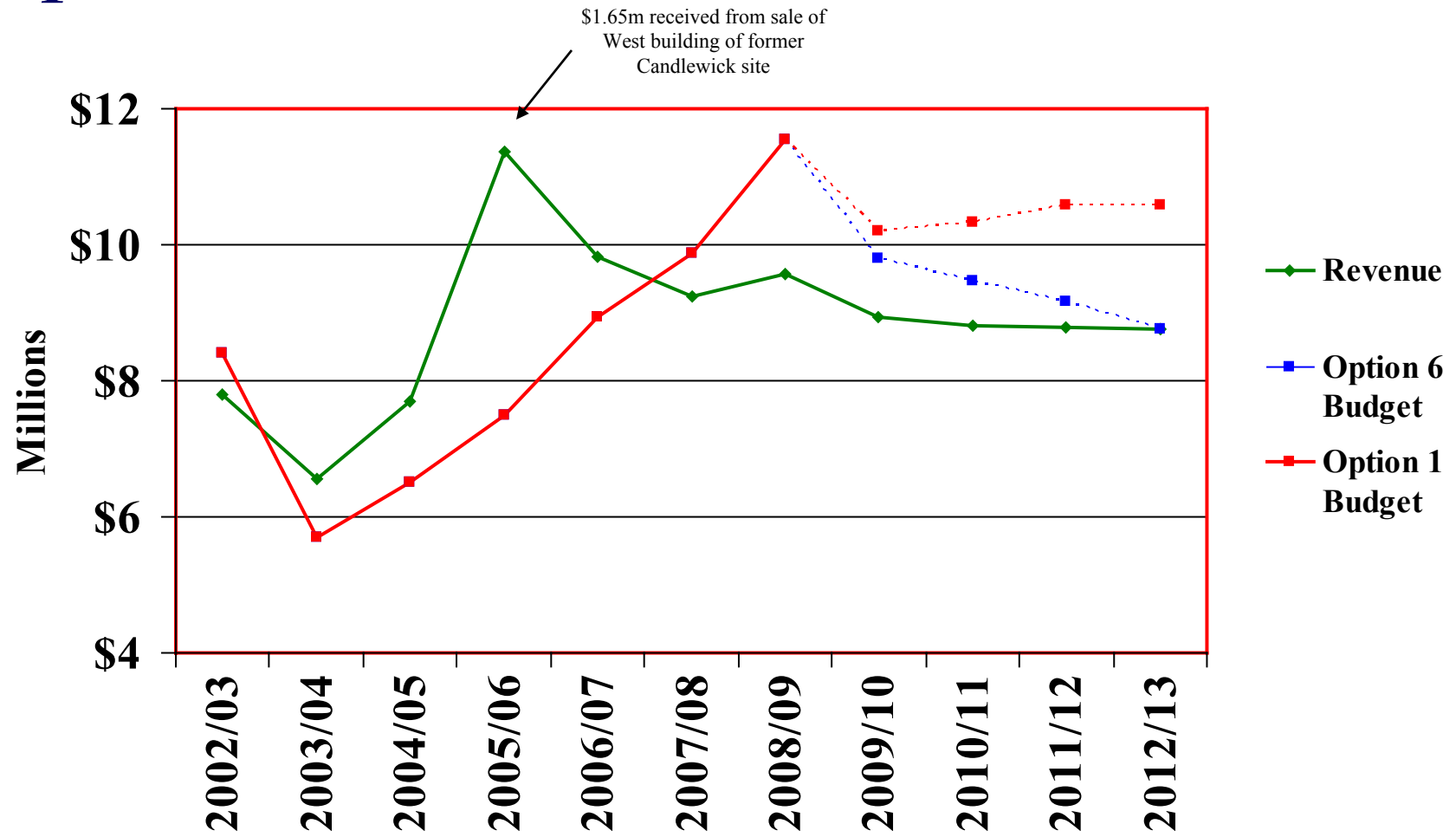
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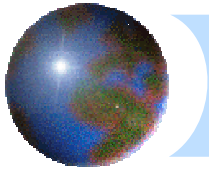
The Value of a Target





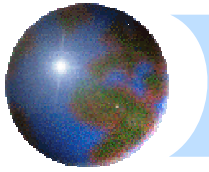
General Fund Revenue vs. Expenditures





Effective July 1, 2009

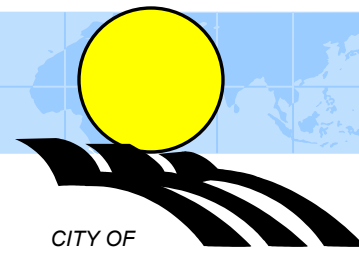
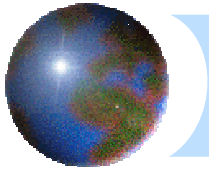
- Eliminate Vacant Full-time positions
 - Associate Planner
 - Maintenance Worker – Public Buildings
- Eliminate all City paid travel/training
 - POST reimbursed training ok
 - Mandated training ok
 - Not sustainable – must be reconsidered in 2-3 years, once staffing costs fall
- Eliminate Employee BBQ & Service Awards
- Eliminate Gym Membership for City Employees & Volunteers
- Eliminate all funding under Community Participation
- Part – time staff
 - Reduce number of employees
 - Reduced Hours



Effective July 1, 2009

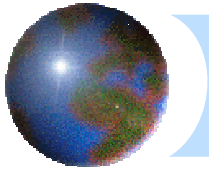
(continued)

- Significant Reduction in Police Overtime Budget
 - Limited Shift coverage
 - Reduction of services for special events (Christmas Parade)
- Elimination of food provided for lengthy closed sessions
- Significantly reduced Janitorial Service
- Elimination of General Fund Support for Teen Center
 - Must rely on Donations to keep open
- Public Swim hours cut by 2/3
- Scale back Solar Grant Program
 - Maintain RDA Funded program for qualifying families
 - Eliminate General Fund supported program
- Fewer checks and balances for routine accounting activities
- Rely on Police Officer to make weekly cash deposit



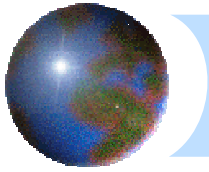
Target Operational Areas

- **Administrative Support Functions**
 - Share support
 - Rely on technology
- **Fleet Maintenance**
 - One Year to
 - Gain needed efficiencies
 - Improve Service
 - Cut costs
 - Outsource services after one year if we cannot achieve
- **Combine smaller divisions**
 - Improved flexibility
 - Sufficient available resources



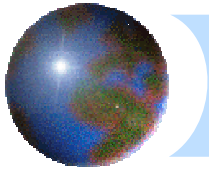
Demands for Services

- Areas expected to increase
 - Law Enforcement
 - Crime
 - Calls for service
 - Use of Parks
 - Fewer vacationers
 - Foreclosures lead to new apartment dwellers
 - Code Enforcement
 - Foreclosures
 - Concerns on the rise as property owners defer maintenance
- Maintain core services to the best extent possible
- Areas expected to decline
 - Building Inspections
 - Current Planning/Development Applications
- Target staff and cost reductions early on



Order of Reduction

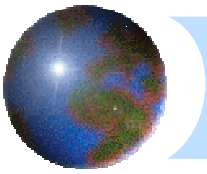
- Maintain FIRM hiring freeze
 - Extend to Part-time positions
 - Migrate existing staff as needed
- Seek wage and benefit savings
 - Bargaining Units
 - Unrepresented Employees
 - Part-time Employees



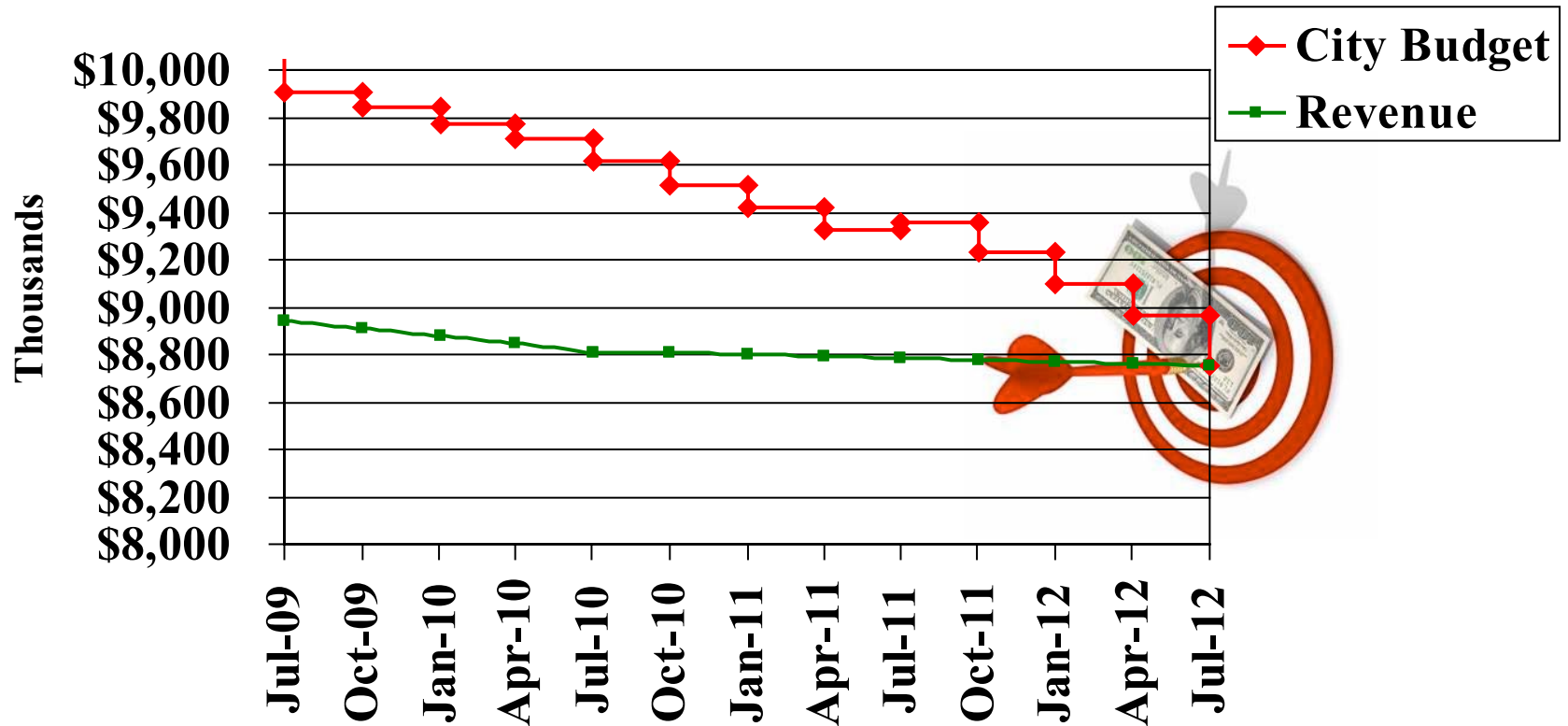
Order of Reduction

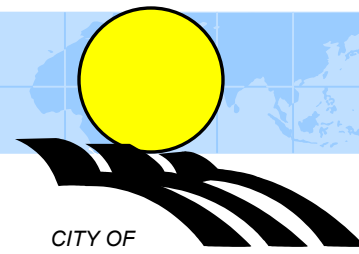
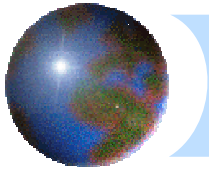
(continued)

- Targeted attrition
 - In reduced demand areas
 - Planning
 - Building Inspection
 - In re-organized areas (efficiency gains)
 - Parks Maintenance
 - Streets Maintenance
 - Fleet Maintenance
 - In administrative areas
 - Administration/Redevelopment
 - Finance
 - Public Works/Building Inspection
 - Retirement Incentives
 - Severance Pay
- Institute City-wide Furloughs
- Consider Layoffs



Decisions Made Each Quarter for 3 years

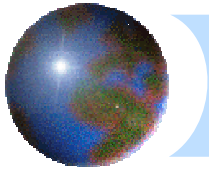




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City Services in 2012/13

- \$1,450,000 in ongoing reductions in General Fund expenses
- 15- 25 fewer Full and Part –time staffers
- Significant changes in the way we conduct business – by necessity



City Services in 2012/13

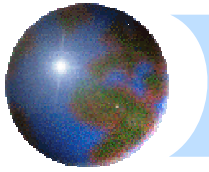
(continued)

- **Administration**

- Reduction of at least four staff
 - Ability to research and analyze requests
- Citizen/customer service
- Internal Support – Human Resource services
- Significant restructuring in Finance and Accounting Duties/Functions
- Loss of off-site records retention

- **Planning**

- Reduced development demand
- Reduction of at least one staff member
 - Long-term Planning Issues Remain
 - Cannot get so bare bones as to become completely ineffective
 - Must tackle efficiency and develop flexibility when demands climb again
 - Other more drastic alternatives can be pursued, but results may not be acceptable



City Services in 2012/13

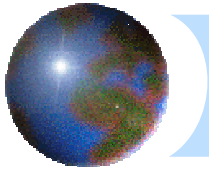
(continued)

- **Public Buildings**

- Reduction of at least two staff
 - 40% reduction in janitorial service
 - Few in-house facility improvements or renovations
- Consider outsourcing of janitorial services

- **Police**

- Eliminate Administrative Sergeant Position
 - Loss of efficiency and leadership
 - Tasks completed elsewhere in the Department
- Second Motor (traffic unit) Officer slot unfilled
 - Has been effectively vacant for several years
 - Places more demands on patrol officers for traffic duties
 - Reduced traffic enforcement
- Drop Problem Oriented Policing Program
 - Latest additional specialty
 - Reduces Departmental flexibility for assignments



City Services in 2012/13

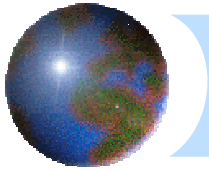
(continued)

- **Building Inspection**

- Loss of at least one staff member
 - Reduced Service availability
 - Must maintain sufficient services to handle peaks in demands, even in slow periods

- **Parks**

- Reduction of at least three staff members
- Reduction in maintenance
 - Edging, weeding, repairs
- Closure of 19th Ave. Park
 - Dog Park
 - Softball program
 - Adult Soccer League
 - Coincides with expected Interchange Construction
 - Significant Alternations to park
 - Storm Drainage Basin
- Outsource Public Buildings Landscape Maintenance
- Consider combing with Streets Maintenance staff to ensure adequate resources for ongoing needs

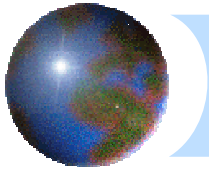


City Services in 2012/13

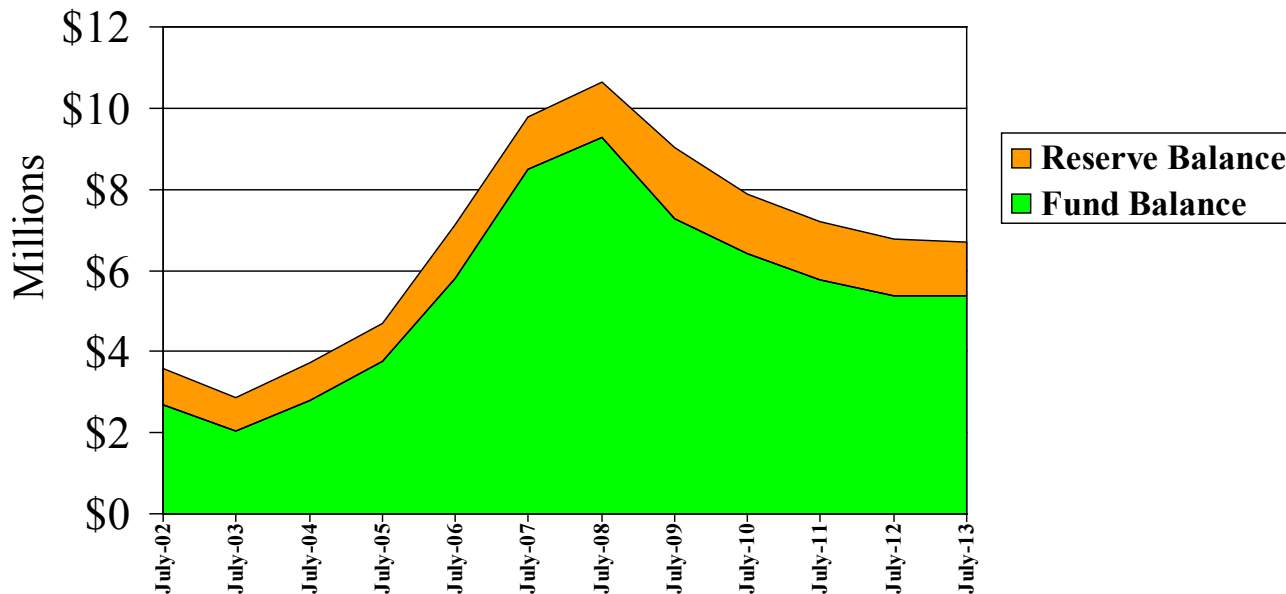
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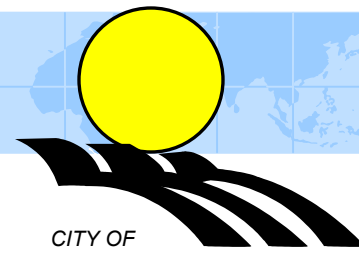
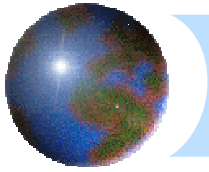
- **Recreation**

- Reduction of at least two staff
 - Teen Center closed if insufficient donations
 - Reduced staff to participant ratios
 - Inability to take financial risks when creating programs



Option 6 - Projected impact to General Fund Balance





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Next Steps

- Provide Sufficient Direction to Prepare 2009/10 City Budget
- Appoint Budget Review Committee if needed
- Proposed Budget submitted to Council in June for consideration
- Adopt no later than July 2009