

FY2023/24 Operating Budget Workshop

June 7, 2023

Overview of Presentation

- City Council Budget Dates
- FY2023/24 General Fund Preliminary Operating Budget
- General Fund Structural Deficit
- Present Different Scenarios to Address the Structural Deficit
 - ✓ Scenario #1: Across-the-Board Budget Reduction
 - ✓ Scenario #2: Across-the-Board and Preserve Public Safety Departments
 - ✓ Scenario #3: Targeted Business Model Approach
- Next Steps

City Council Budget Dates



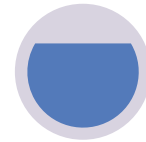
May 17

**FY2023/24
Preliminary
Operating
Budget
Workshop**



May 24

**FY2023/24
Preliminary
Capital
Improvement
Project Budget
Workshop**



June 7

**General Fund
Operating
Budget with
No One-Time
Funding**



June 21

**Adoption of
the FY2023/24
Operating and
CIP Budgets**

Recap of Proposed FY2023/24 Budget – May 17

One-Time Sources

FY2023/24 General Fund Deficit	\$(11,295,840)
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Reserve Funds – Section 115 Pension Trust	1,550,640
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Reserve Funds – General Liability Fund	2,995,840
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Reserve Funds – Vehicle Replacement Fund	3,610,070
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Deferred Replacement of Vehicles	1,148,800
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One-Time Revenue – American Rescue Plan	1,440,490
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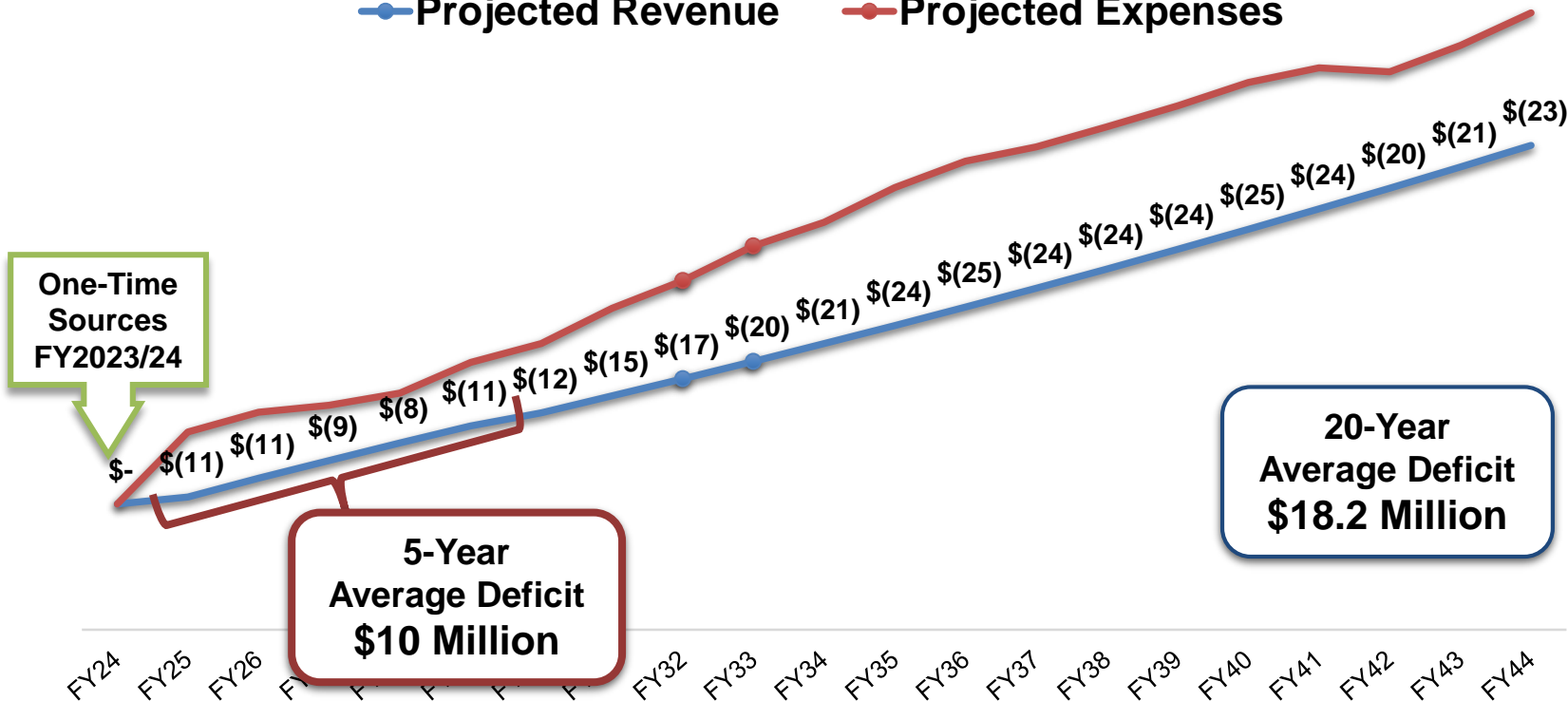
Historical Cost Savings Reduction	600,000
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FY2023/24 General Fund Deficit	\$0
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General Fund Structural Budget Deficit

If the FY2023/24 Budget is adopted as presented on May 17

—●— Projected Revenue —●— Projected Expenses



Revenue Assumptions

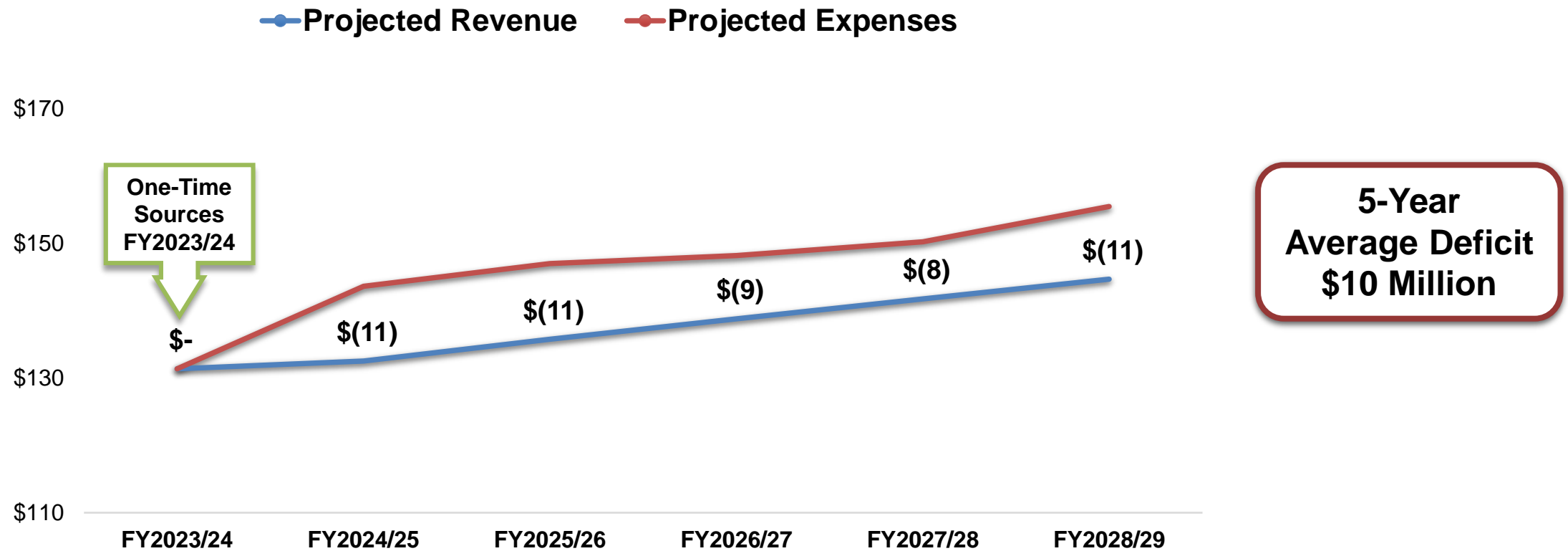
- Known Current Economic Conditions
- Analysis from Consultants
- Historical Performance

Expense Assumptions

- Maintain current City services
- No New Projects or Expansion of Services
- No funding for Capital Projects
- No funding for Deferred Maintenance

General Fund Structural Budget Deficit

If the FY2023/24 Budget is adopted as presented on May 17



Summary of One-Time Available Funds

Internal
Service
Funds

American
Rescue Plan
Act

General Fund
Reserve
Balances

Internal Service Funds

Services Provided to All City Funds

- ✓ General Fund
- ✓ Water Fund
- ✓ Wastewater

Accumulate Resources

- Future Maintenance
- Replacement of Capital Items

**Historically not fully funded due to budget deficits
Changed the funding model in FY2023/24 to experienced based**

Internal Service Funds Projected Reserves

Fund Description	June 30, 2023 Projected Reserves	FY2023/24 Use of Reserves	June 30, 2024 Projected Reserves
Building Maintenance	(\$68,033)	-	(\$68,033)
Warehouse	(43,422)	-	(43,422)
Fleet Services Fund	6,500,000	(3,610,070)	2,889,930
General Liability	4,424,270	(2,995,840)	1,428,430
Property Insurance	617,743	(561,100)	56,643
Central Services	675,555	(1,090)	674,465
Network & Systems Administration	536,849	(121,720)	415,129
Unemployment Insurance	297,142	(80,000)	217,142
Benefits Administration	498,822	(236,870)	261,952
Dental Insurance	489,025	(204,570)	284,455
Workers' Compensation	14,649,244	-	14,649,244

Unanticipated Expenses

Pre-Purchase Inventory



Partially Available for Future Use
(Funded by General Fund, Water Fund,
Wastewater Fund)

Employee Contributions - Not Available

Workers Compensation – Internal Service Fund

June 30, 2023 Projected Fund Balance = \$14,649,244

- Target Fund Balance based on an Actuarial Recommendation
- Funded from the General Fund, Water Fund, and Wastewater Fund

Reserves *may* be available –

- Staff are assessing the target balance and will provide an alternative recommendation
- Must be allocated back to the original funding source,
Not all General Fund – Approximately \$4.7M

Internal Service Funds Reserves Available

Fund Description	Funded ≈ 75% From General Fund
Fleet Services Fund	\$722,480
General Liability	1,000,000
Property Insurance	42,000
Central Services	505,850
Network & Systems Administration	311,350
Unemployment Insurance	162,850
Benefits Administration	196,460
Workers' Compensation	4,700,000
Total Available from ISFs	\$7,640,990

Internal Service Funds Accumulate Resources from:

- **General Fund (≈ 75%)**
- Water Fund
- Wastewater Fund

*Available for Future
Budget Years*

One-Time Available Funds American Rescue Plan Act (“ARPA”)

June 14 - ARPA Project Update

ARPA Lost Revenue Category	\$10,000,000
FY2022/23 General Fund Deficit	(3,735,030)
FY2023/24 General Fund Deficit	(1,440,490)
Remaining ARPA Lost Revenue Category	\$4,824,480

Must be obligated by
December 2024

Must be spent by
December 2026

*Available for Future
Budget Years*

Restricted General Fund Reserves

General Fund has 2 Reserve Accounts

Section 115
Pension Trust

General Fund
Reserve
Balance

Restricted Reserve balances

Section 115 Pension Trust Fund

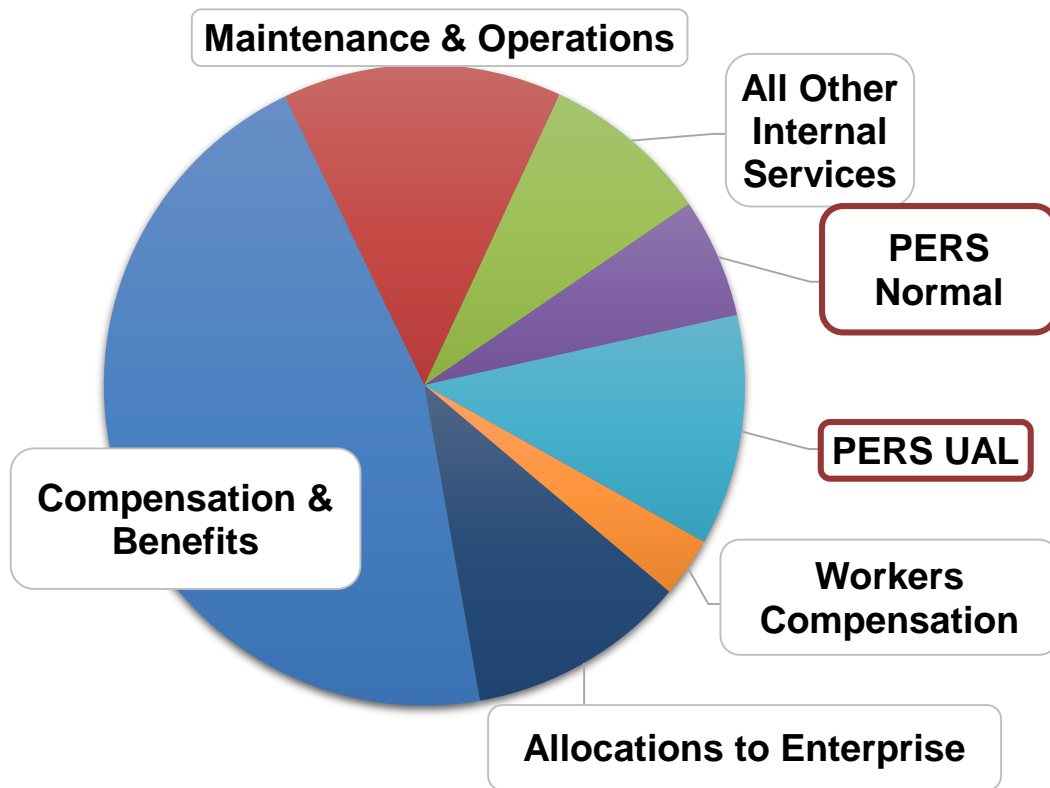
Can only be used for Future Pension Liabilities

- ✓ Provide economic relief during recessionary cycles
- ✓ Smooth the impact of rate increases
- ✓ Used to offset the City's "normal" CalPERS costs

Cash Balance as of March 31, 2023	\$31,248,583
FY2023/24 Budget: CalPERS Rate Increase	(1,500,640)
Project Cash Balance as of June 30, 2024	\$29,747,943

Restricted Reserve Balances

Section 115 Pension Trust Fund



Department	FY2023/24 Projected Expenses
Compensation & Benefits	\$77,056,540
PERS Normal Cost	10,189,290
PERS UAL	19,677,300
Maintenance & Operations	23,814,920
Workers Compensation	5,042,590
All Other Internal Services	14,398,030
Allocations to Other Funds	(18,688,410)
Total Expenditures	\$130,890,260

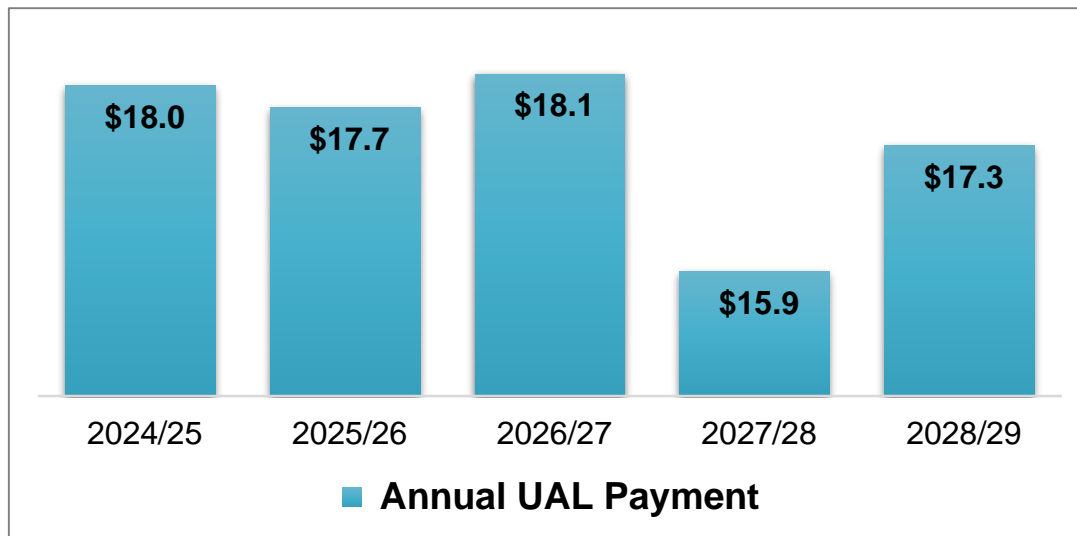
*Not a City
Service*

Restricted Reserve balances

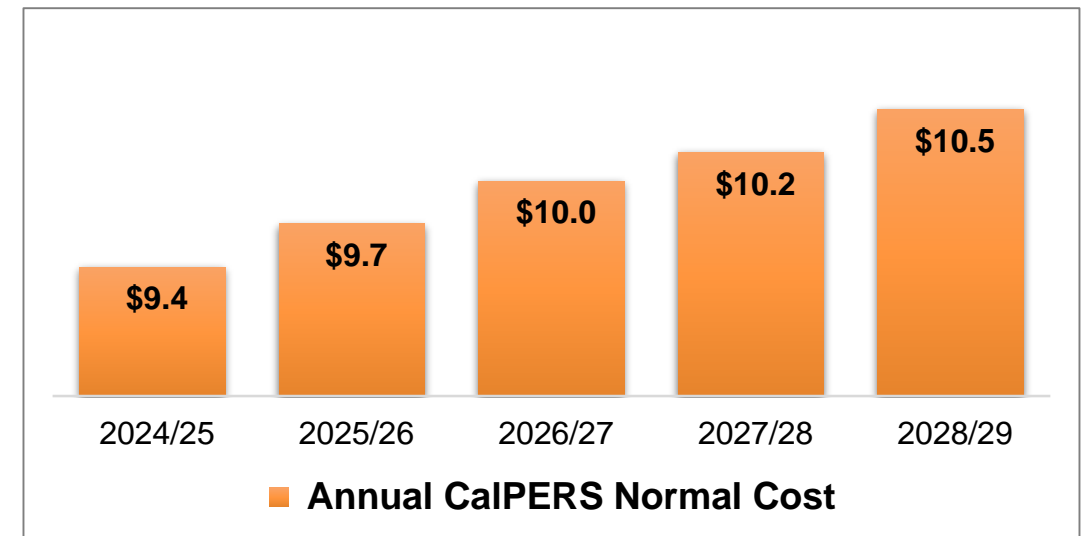
Section 115 Pension Trust Fund

Balance = \$29,747,843

**5-Year UAL =
\$87 Million**



**5-Year Normal Cost =
\$50 Million**



Restricted Reserve balances

General Fund Reserve Balance

- ✓ Mitigate Current and Future Risks: Disaster Recovery, Economic Volatility
- ✓ Adequately provide for cash flow requirements
- ✓ Fund one-time unanticipated expenditures

Target Reserve = 25% of Operating Revenue

$\$127,403,060 \times 25\% = \$31,850,765$

Current Balance

\$17,392,319

**Depleting this
Balance has
Significant
Impacts**

Restricted Reserve balances

**Impacts of
Depleting this
Balance**

General Fund Reserve Balance

- ✓ **Funds are needed for cash flow requirements**
 - Revenue is received unevenly during the year
 - Cash is needed to make payments during the year
- ✓ **Factor in Assessment of the City's Fiscal Health**
 - Risks Future Grant Funding
 - Risks Future Capital or Lease Financing Opportunities
 - Impacts on bond rating with no reserves
- ✓ **With No Reserves, the City will have limited resources in disasters or for unanticipated expenses**

Summary of One-Time Available Funds

Internal Service Fund Description	Funded ≈ 75% From General Fund
Fleet Services Fund	\$722,480
General Liability	1,000,000
Property Insurance	42,000
Central Services	505,850
Network & Systems Administration	311,350
Unemployment Insurance	162,850
Benefits Administration	196,460
Workers' Compensation	4,700,000
Total Available Funds from ISFs	\$7,640,990

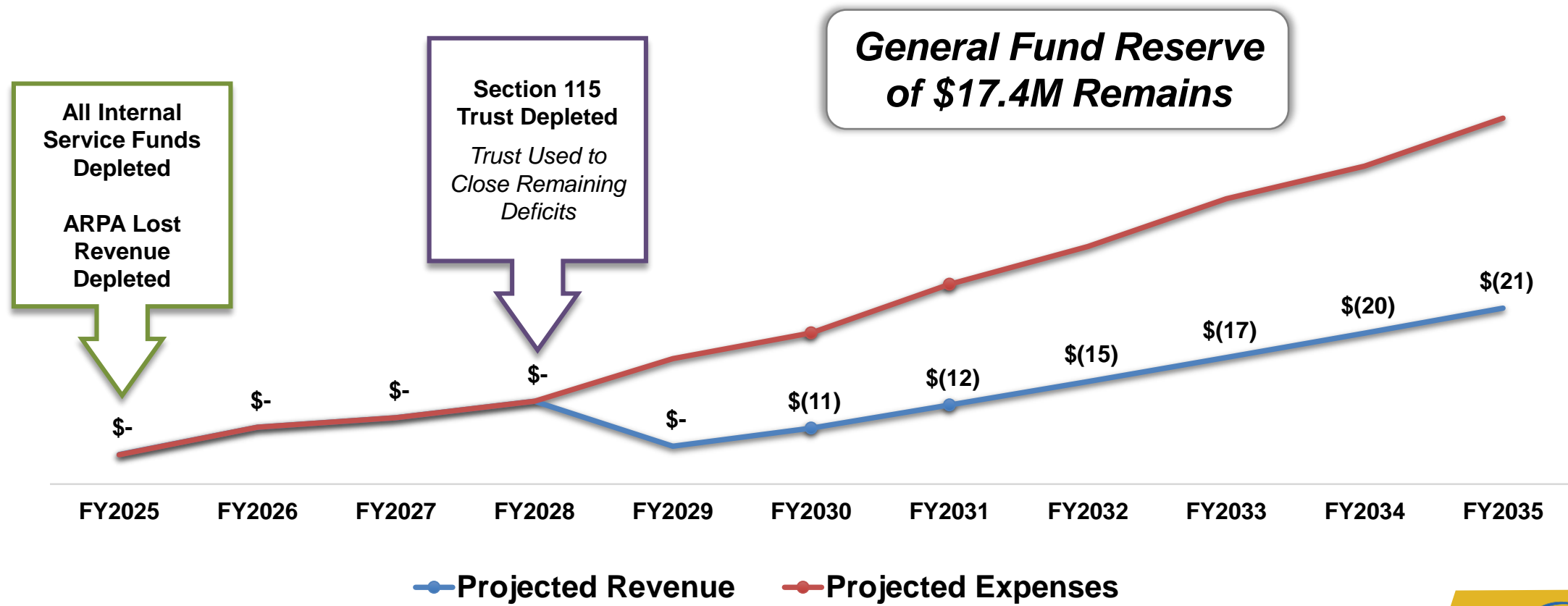
General Fund Reserve Balances	Balances
General Fund Reserve	17,392,319
Projected Section 115 Pension Trust Balance	29,747,943
Total General Fund Reserves	\$47,140,262

ARPA Lost Revenue Category	\$10,000,000
FY2022/23 General Fund Deficit	(3,735,030)
FY2023/24 General Fund Deficit	(1,440,490)
Remaining ARPA Lost Revenue Category	\$4,824,480

\$59,605,732

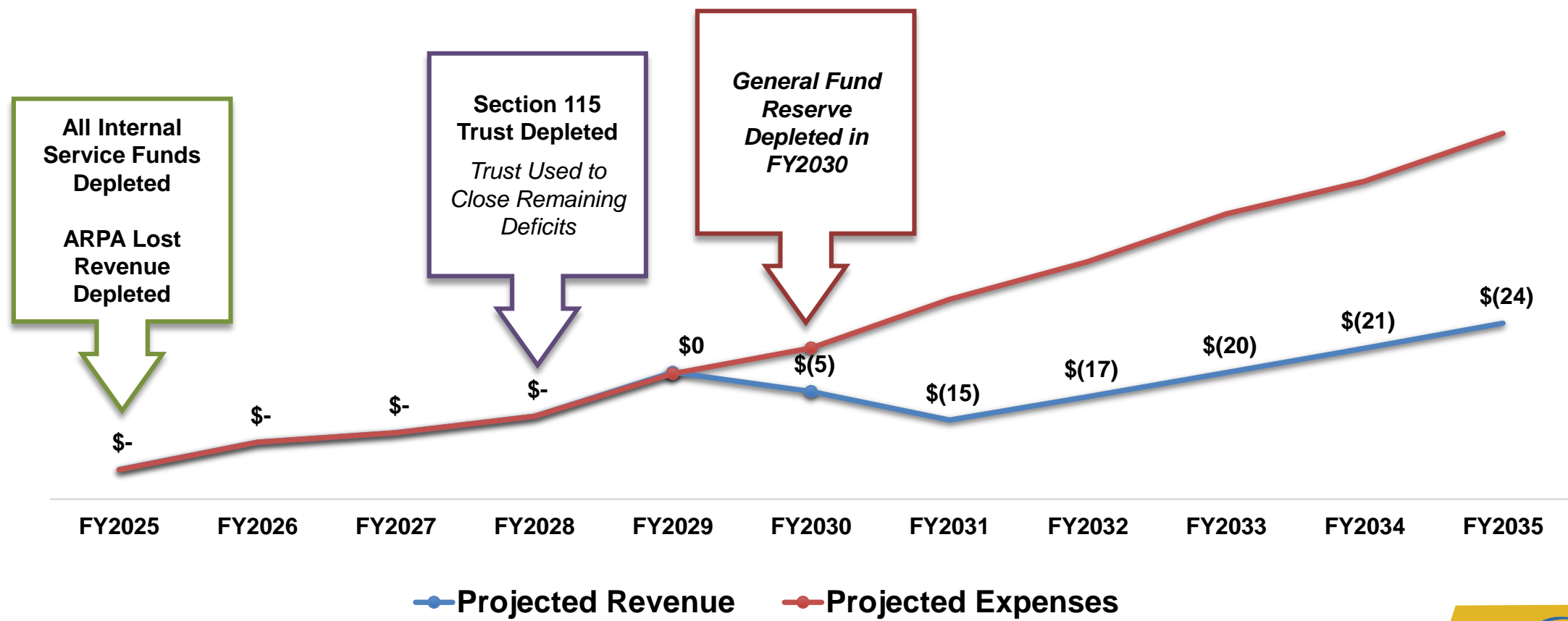
General Fund Structural Budget Deficit

Forecast Using Available One-Time Sources

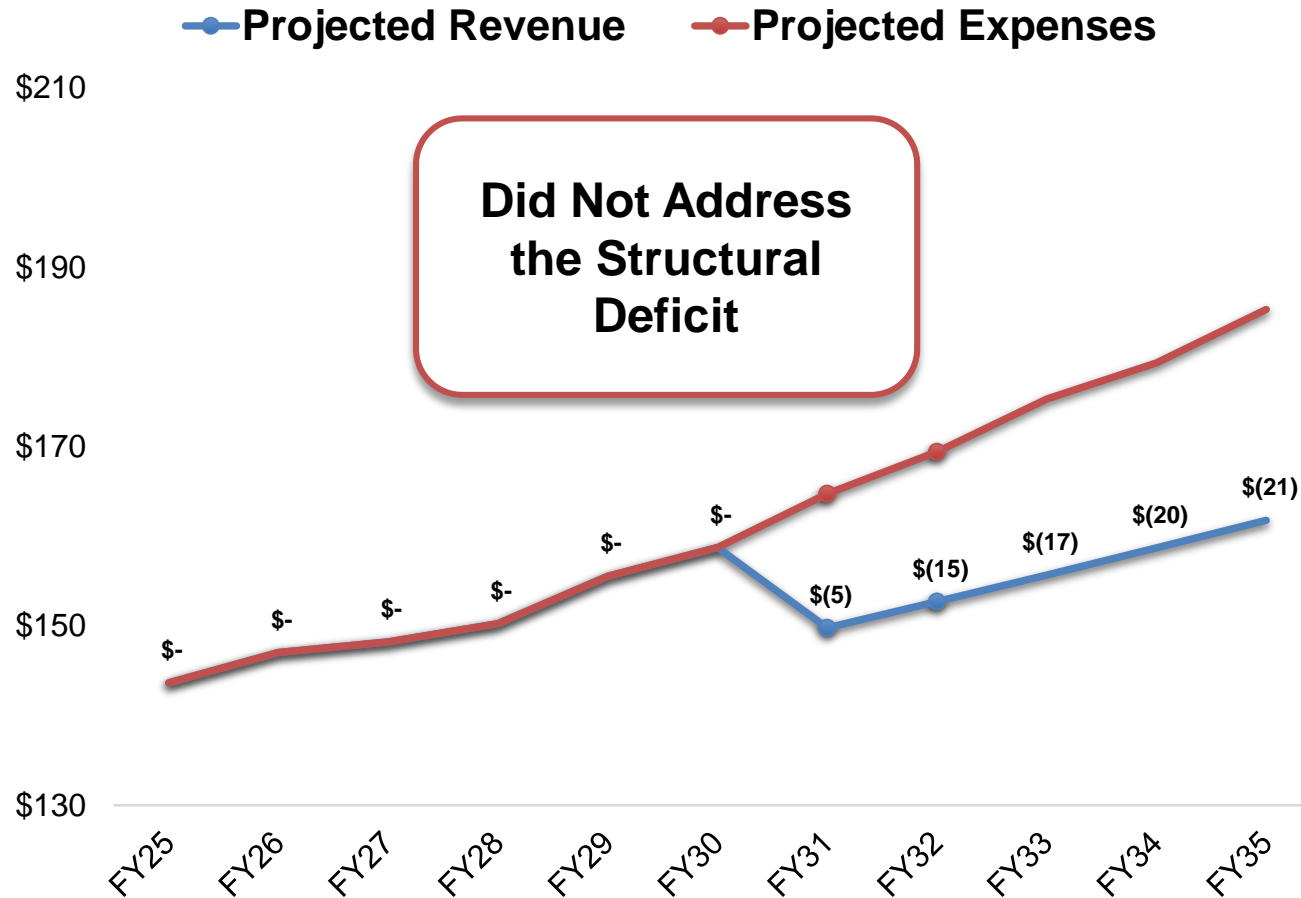


General Fund Structural Budget Deficit

Forecast Using Available One-Time Sources



General Fund Structural Budget Deficit



FY2027/28

- ✓ No Internal Service Funds
- ✓ ARPA Funding Not Available
- ✓ Section 115 Pension Trust is Depleted

FY2029/30

- ✓ No Reserve Balances Available

General Fund Structural Budget Deficit

The Financial Forecast does not include:

- critical infrastructure and repair needs
- replacement of equipment and vehicles past their useful life
- deferred maintenance of current facilities and parks
- ongoing maintenance of new assets being added to the community
- ability to continue supporting community organizations and events
- addressing organizational capacity issues
- funding reserve accounts

**In addition to the above,
high priorities from the community are not being addressed**

Scenarios to Address the Structural Deficit

Scenario #1

Proportional Across-the-Board Budget Reductions

Scenario #2

Across-the-Board but Preserve Public Safety
Departments

Scenario #3

Targeted Business Model Approach

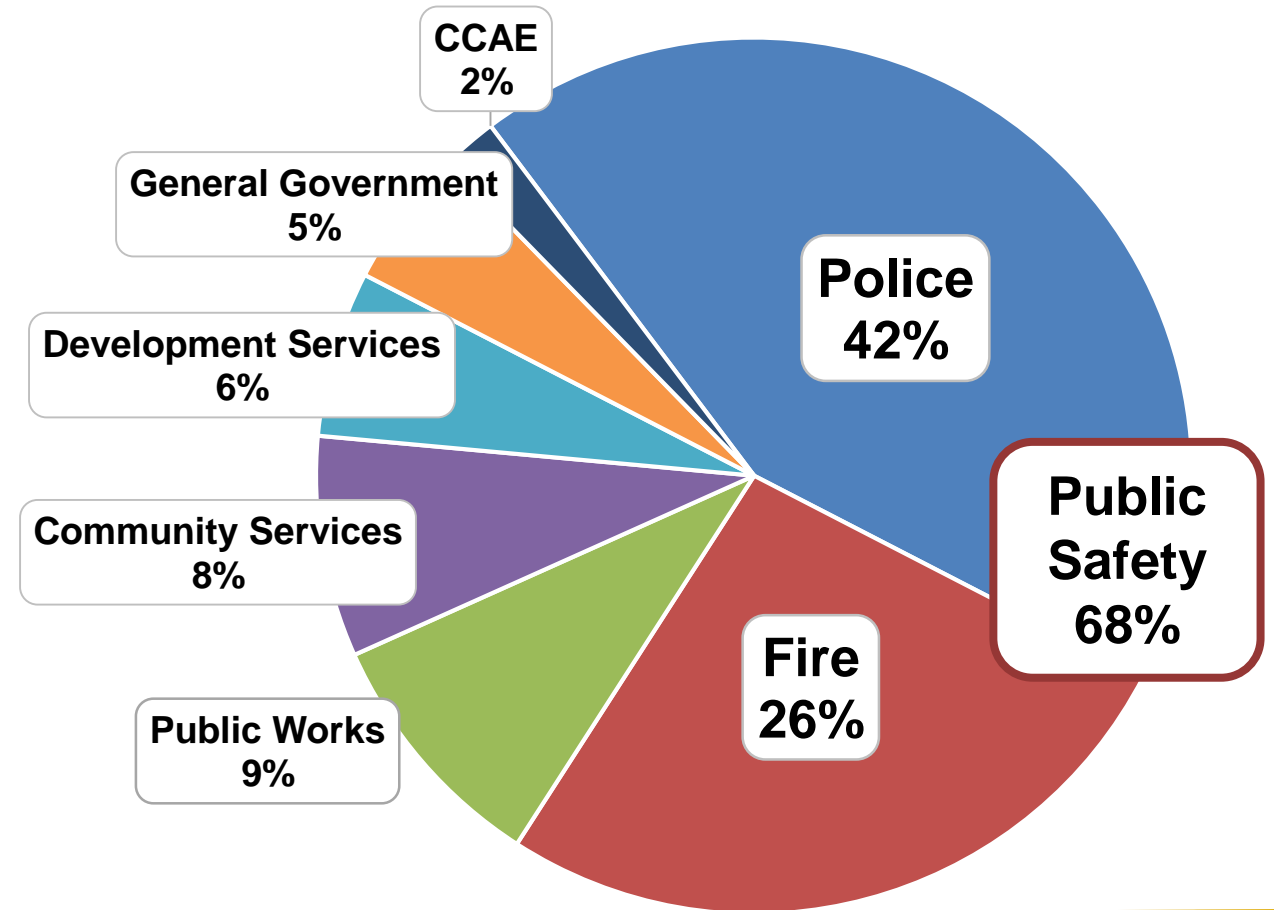
Scenario #1

**Proportional Across the Board Budget
Reductions To Close the General Fund
Structural Deficit**

General Fund Departments

*Scenario #1
Proportional
Across the
Board Cuts*

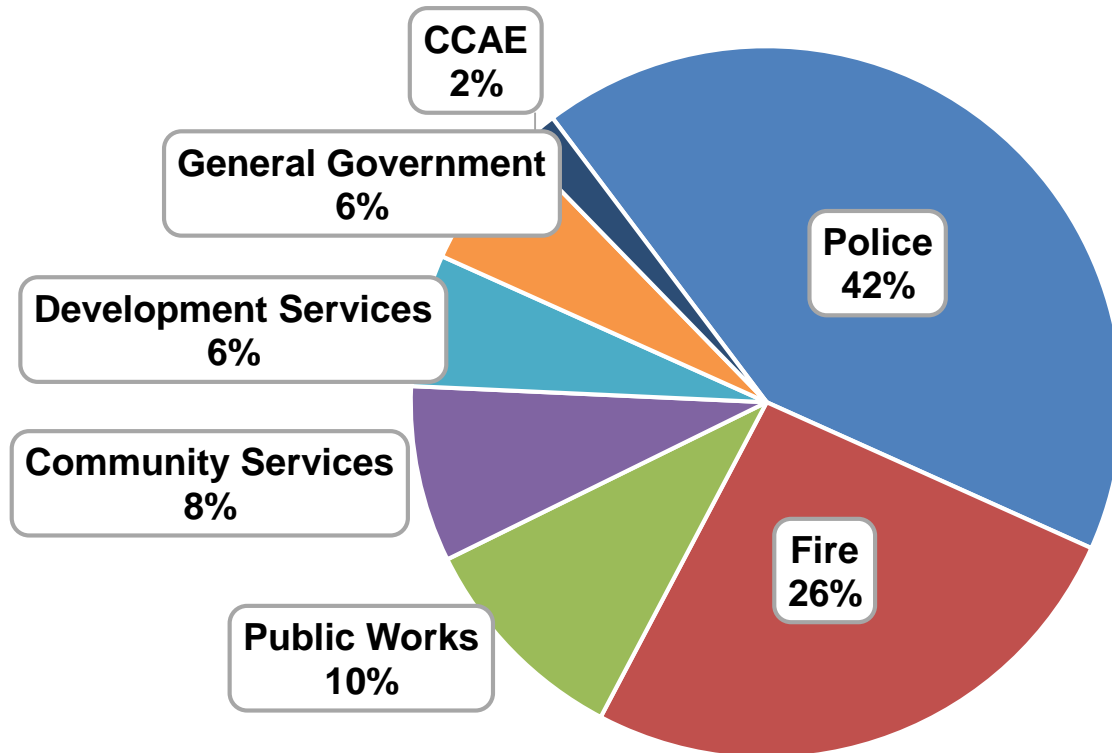
Department	FY2023/24 Projected Expenses
General Government Services	\$8,258,700
Community Services	10,835,430
Development Services	8,343,060
Public Works	12,398,470
Police	54,083,660
Fire	33,528,860
California Center for the Arts	3,247,370
Total Expenditures	\$130,695,550



Scenario #1

Proportional Across-the-Board Reductions

Scenario #1
Proportional
Across the
Board Cuts



Department	Structural Deficit	
Police	42%	4,138,140
Fire	26%	2,565,420
Public Works	10%	948,650
Communications & Community Services	8%	829,060
Development Services	6%	638,360
General Government Services	6%	631,900
California Center for the Arts	2%	248,470
Total General Fund Deficit		\$10,000,000

Police Department – 42% of General Fund

**Total Expenses of \$54,083,660 –
Budget Reduction of \$4,128,140**

Budget Reductions Identified

- Sworn Police Officers
- Professional Staff Positions
- Animal Control Regulation Contract
- Community Outreach Services – Education COMPACT

Police Department

Budget Reduction of \$4,128,140

Impacts: Reduce the Number of Sworn Police Officers

	Current Service	Reduced Service
Traffic Division	<p>6 Traffic Officers</p> <ul style="list-style-type: none"> Proactively Enforce Laws Focus on Safety Issues – Speed & Red-Light Violations 	<p>3 Traffic Officers</p> <ul style="list-style-type: none"> Significantly Reduce Traffic Enforcement Investigate Only Fatal & Serious Injury Traffic Collisions
Crimes of Property (COP)	<p>5 Detectives</p> <ul style="list-style-type: none"> Investigate: Commercial Burglary, Residential Burglary, Arson, fraud/forgery/financial crimes; auto theft, and general property crimes 	<p>3 Detectives</p> <ul style="list-style-type: none"> General crimes: thefts, vandalisms, shoplifting will not be investigated Auto theft investigations will be nearly eliminated, only major fraud cases will be investigated

Police Department

Budget Reduction of \$4,128,140

Impacts: Reduce the Number of Sworn Police Officers

	Current Service	Reduced Service
Community Oriented Policing and Problem Solving Unit "COPPS"	<p>3 COPPS Officers</p> <ul style="list-style-type: none"> • COPPS officers proactively address areas of crime/disorder • COPPS officers focus on homelessness issues and assistance 	<p>No COPPS Officers</p> <ul style="list-style-type: none"> • No longer have a COPPS unit to proactively address areas of crime/disorder • Homelessness becomes a greater problem for the community
School Resource Officers "SRO"	<p>3 SROs</p> <p>(1 SRO is fully funded by the school districts)</p> <ul style="list-style-type: none"> • Trained in school-based crisis response to work collaboratively with education officials to provide prevention and intervention for youth crimes • Building relationships with students allows SROs to provide specific help 	<p>1 SRO (funded by School District)</p> <ul style="list-style-type: none"> • Patrol officers will have to respond to school incidents increasing response times to other calls for service • Students will not have access to SROs they know and trust, making it more likely that they miss opportunities for crime prevention and intervention

Police Department

Budget Reduction of \$4,128,140

Impacts: Reduce the Number of Professional Staff Positions

	Current Service	Reduced Service
Public Safety Dispatch	<p>24 Public Safety Dispatchers</p> <ul style="list-style-type: none"> • Answer 9-1-1 calls, dispatch emergency response personnel, handle police and fire radio, and field non-emergency public safety calls from community members 	<p>21 Public Safety Dispatchers</p> <ul style="list-style-type: none"> • Delayed response to emergencies and increased call wait times • Cuts to the types of non-emergency services provided
Customer Service Representatives	<p>2 Police Customer Service Representatives</p> <ul style="list-style-type: none"> • Police Customer Service Reps assist community members when they come to the PAFH lobby • Lobby services include: crime reporting; citation payment; officer assistance; requests for crime reports; impounded vehicle releases; etc. 	<p>No Customer Service Representatives</p> <ul style="list-style-type: none"> • PAFH lobby will be closed; services will be appointment only • Increased wait time for services • Other staff will be pulled away from their duties to cover these tasks

Police Department

Budget Reduction of \$4,128,140

Impacts: Reduce the Number of Professional Staff Positions

	Current Service	Reduced Service
Parking Attendant	<p>5 Part-Time parking attendants</p> <ul style="list-style-type: none"> • Parking attendants ensure that residential and commercial parking laws are enforced • Parking enforcement allows customers and residents to maintain basic parking accessibility • Handicap and red curb parking is strictly enforced to maintain public safety 	<p>No Parking Attendants</p> <ul style="list-style-type: none"> • No parking enforcement throughout the city • Businesses will be affected by unauthorized parking • Residential areas will not be patrolled for unauthorized parking • Loss in revenue from citation fees
Parking Citation Contract	<p>Processing Software and Equipment</p> <ul style="list-style-type: none"> • Current contract provides parking attendants with software and equipment to efficiently issue electronic parking citations • The contract company processes citations and collects fees for the city 	<p>No Processing Software or Equipment</p> <ul style="list-style-type: none"> • Near elimination of parking citations • City staff would have to process and collect fees on paper parking citations

Police Department

Budget Reduction of \$4,128,140

Impacts: Eliminate Special Events and Contracts

	Current Service	Reduced Service
Overtime for Special Events	<p>Police Department Staff Support</p> <ul style="list-style-type: none"> Community events are staffed by officers and police personnel to ensure traffic control and citizen safety Special events include: Parades, Cruisin' Grand, Grape Day Festival, and Fireworks 	<p>No Police Department Staff Support</p> <ul style="list-style-type: none"> Traffic safety will decrease and crowd safety will be reduced Officers will not be assigned to these events which will delay emergency response
Computer Aided Dispatch (CAD) Equipment	<p>Equipment Upgrades and Scheduled Maintenance</p> <ul style="list-style-type: none"> CAD is the system used by Dispatch and Patrol to process calls for service and police actions CAD catalogues data from all calls for service and monitors officers locations to decrease response times. 	<p>No Equipment Upgrades and Scheduled Maintenance</p> <ul style="list-style-type: none"> A lack of CAD upgrades and maintenance would cause inefficiencies in dispatch and for Patrol officers There would be increased response times for calls to be answered by dispatch and officer responses in the field

Police Department – Impacts: Eliminate the Animal Control Services Contract

Scenario #1
Proportional Across
the Board Cuts

	Current Service	Reduced Service
Animal Control Services	<p>Contract with San Diego Humane Society (SDHS)</p> <ul style="list-style-type: none">• Providing housing and care of stray domestic animals• Providing housing and care for police and animal cruelty holds• Providing lost and found assistance for the general public's animals• Providing services to include: feed, care, and disposition of all animals• Managing of dog license program• Investigating and issuing Service Dog licenses• Investigating and enforcing dangerous dog situations• Enforcing licensing and rabies vaccinations• Investigating and enforcing animal cruelty laws• Responding to and caring for injured domestic animals• Monitoring and responding to bites and enforcing rabies requirements• Responding to and investigating animal noise complaints• Staffing Humane Officers to patrol and respond to City animal needs• Providing disaster relief services involving animals• Providing quarterly and annual animal control reports	<ul style="list-style-type: none">• Provide only mandated animal control services• Arrange rabies vaccinations• Respond to calls for service related to dangerous animals• Additional police personnel positions may need to be cut to fund legally required animal control services

Police Department – Impacts: Terminate Contract with Education COMPACT

	Current Service	Reduced Service
Education COMPACT Services	Juvenile Diversion Program and Alternatives to Detention (ATD) Offers juveniles an alternative to criminal justice system.	<p>Rather than alternatives to detention, all juvenile cases will be sent through San Diego District Attorney's Office for prosecution.</p> <p>Most of these cases will not meet current filing criteria resulting in these cases being dropped.</p> <p>As a result, these juveniles will receive little to no accountability or support to keep them from re-offending.</p>
	Family Intervention Team (FIT) <ul style="list-style-type: none"> Partners former law enforcement officers with former gang members, to create a team of credible mentors that assist families of at-risk boys. This team provides intensive and wrap-around guidance specific to gang prevention. 	
	Girls Rock Program Partners police officers and youth workers to mentor at-risk girls	
	Cannabis Abuse Program (CAP) Provides workshops to help youth stay sober.	
	Guiding Good Choices Provides evidence-based programing to improve family communication, learn the impact of drug use, manage family conflicts, and create a support network for parents	

Fire Department – 26% of the General Fund

Total Expenses of \$33,528,860 –

Proportional Reduction is \$2,565,420

- Note FD Revenue:
 - \$9.3 million ambulance transportation
 - \$2.4 million Rincon FPD
- Fire Engine and Ambulance staffing is not scalable for 24/7 coverage
- Only viable option to reduce by \$2.565 million: close one fire station
 - Eliminate one fire engine company (\$2 million)
 - Eliminate one ambulance (\$900,000)

Fire Department – Impacts: Eliminate One Fire Engine Company

	Current Service	Reduced Service
Fire Engine Company	<p>7 Fire Stations</p> <ul style="list-style-type: none"> • 2022 EFD emergency response: 17,500 calls • Fire Engine (PAU) Responses ranged from 1,400 to 4,100 calls per day in 2022 • Response Time Standard is 7 ½ minutes, 90% of the time • Down to 88% with <u>current resources</u> due to 3.5% annual call volume increase 	<p>6 Fire Stations</p> <ul style="list-style-type: none"> • Remaining six Fire Stations absorb emergency calls from further distances • Increased and imbalanced requests for assistance from neighbors • Longer response times for first Paramedic at medical emergencies • Reduced effectiveness and safety at fire, rescue and Haz Mat incidents • Must have 4 firefighters at scene to enter burning structure • Must have a minimum of 15 firefighters at scene to be effective and safe • Reduction in ISO rating, reduction in service to City and Rincon FPD

Fire Department – Impacts: Eliminate One Ambulance

	Current Service	Reduced Service
Ambulance Services	<p>5 Ambulances in Service</p> <ul style="list-style-type: none"> EFD ambulances transported 11,000 times Requested aid from San Marcos Fire 724 times San Marcos Fire transported Escondido patients 224 times 	<p>4 Ambulances in Service</p> <ul style="list-style-type: none"> Lay off 3 Firefighter/Paramedics and 3 EMTs Remaining 4 ambulances absorb emergency calls from further distances Increased and unacceptable requests for assistance from neighbors Longer response times EFD and auto aid ambulances for medical emergencies Reduction of an EFD ambulance will likely mean losing about 2,500 transports and over \$1 million in revenue IF other agencies will respond to Escondido

Scenario #2

Across-the-Board Budget Reductions but Preserve Public Safety

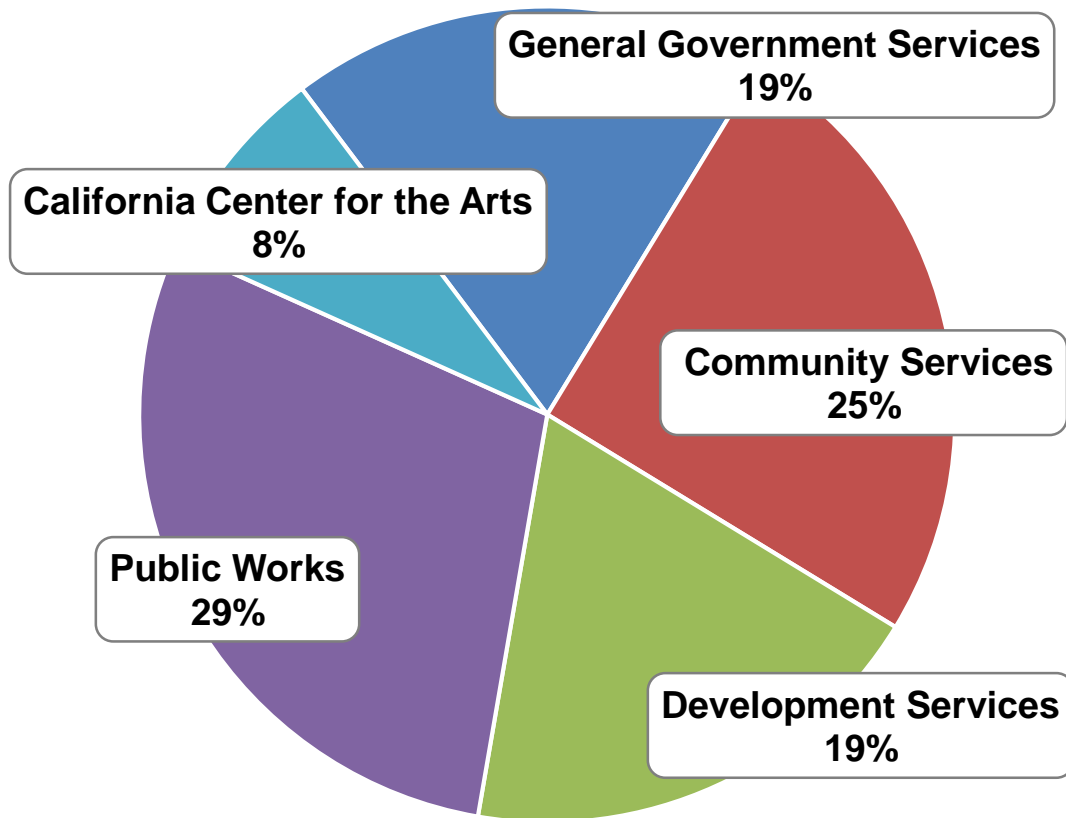
Public safety has been identified as a high priority

- ✓ City Council Direction
- ✓ Confirmed in Community Surveys

Scenario #2

Across the Board and Preserve Public Safety

Scenario #2
ATB &
Preserve
Public Safety



Department		Structural Deficit
Public Works	29%	\$2,877,800
Community Services & Communications	25%	2,515,010
Development Services	19%	1,936,510
General Government Services	19%	1,916,930
California Center for the Arts	8%	753,750
Police	42%	4,138,140
Fire	26%	2,565,420
Total General Fund Deficit		\$10,000,000

Reorganization of Departments

Combine Public Works and Development Services

Budget Reduction Target of \$4,814,310

Eliminate 12 Development Services Staff Positions:

- Director of Development Services
- Assistant Planner
- Assistant City Engineer
- Building Inspector
- Code Compliance Officer
- 3 Full-Time Code Compliance Officers
- 4 Part-Time Code Compliance Officers

Eliminate 33 Public Works Staff Positions:

- Director of Public Works
- Deputy Director of Public Works
- 5 Full-Time Public Works Positions
- 26 Temporary Part-Time Positions

Two New Departments

Reorganization of Departments

Combine Public Works and Development Services

Two New Departments

**Land
Development
Department**

**Capital Project
and Traffic
Department**

Reorganization of Departments

Combine Public Works and Development Services

Impacts: Reduced Maintenance of City Parks & Facilities

	Current Service	Reduced Service
Public Sanitation – Restrooms	Cleaned Once per Day, 7 Days per Week	Every Other Day, No Cleaning on Weekends
Public Sanitation – Trash Pickup	Picked Up Once per Day, 7 Days per Week	Once Every 2 Weeks

Reorganization of Departments

Combine Public Works and Development Services

Impacts: Reduced Graffiti Response

	Current Service	Reduced Service
Property Type	64% on Private Property	Service Public Property Only
Current Response Time	20 Minutes	As Resources Are Available

Reorganization of Departments

Combine Public Works and Development Services

Impacts: Reduced Homelessness Response

	Current Service	Reduced Service
Debris Crew – Schedule	7 Days per Week	2 Days per Week
Response Time	Same Day Response to Calls	3 to 4 Days

Reorganization of Departments

Combine Public Works and Development Services

Impacts: Reduced Potholes and Road Repairs

	Current Service	Reduced Service
Patch Truck – Schedule	Daily with Two Crews	Every Other Day
Response Time	72-Hours to Complete a Repair	30 – 35 Days

Reorganization of Departments

Combine Public Works and Development Services

Impacts: Reduce Code Compliance Services

	Current Service	Reduced Service
Code Compliance Response	<p>Respond to All Complaints</p> <ul style="list-style-type: none">✓ Property Maintenance (overgrown vegetation)✓ Graffiti✓ Trash Cans✓ Stockpiling✓ Junk Vehicles✓ Temporary Signs	Limited to Life Safety & Public Health Concerns

Reorganization of Departments

Combine Public Works and Development Services

Impacts: Eliminate the Planning Commission

	Current Service	Reduced Service
Eliminate the Planning Commission (Staff Support .33 FTE)	Planning Commission Conducts a detailed review of all types of development projects and individual land use requests	Responsibilities would Transfer to the City Council Minimum of one additional two-hour meeting per month

Reorganization of Departments

Combine Public Works and Development Services

Impacts: Eliminate the Deputy Building Official

	Current Service	Reduced Service
Eliminate Deputy Building Official	Currently Process 500 plan reviews annually 19 days average review	Utilizing a third-party reviewer would extend the average review time to 30+ days

Reorganization of Departments

Combine Public Works and Development Services

✓ Eliminate Economic Development – Budget Reduction \$409,450

- Economic development can only be helpful to the community if there is a functional Development Services Department where private industry can quickly receive permits for building development and expansion

	Current Service	Reduced Service
Eliminate Economic Development Division 2 Staff Positions and Program Costs	Manages programs that promote business attraction, retention and expansion	As Resources Are Available

Reorganization of Departments

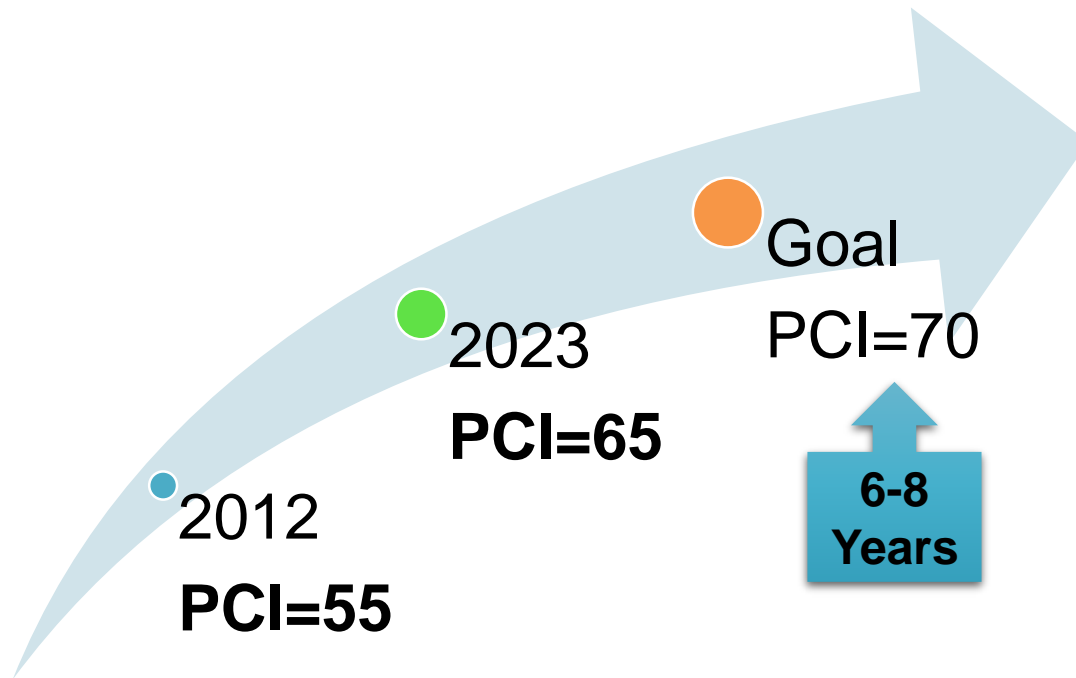
Combine Public Works and Development Services

Impacts State Mandates and Restricted Funding Sources

- General Plan
- Housing Element Law
- Subdivision Law
- Administer Specific Ordinances
- CEQA
- Regulate and enforce the construction, repair, or alteration of buildings
- Apply the State Historical Building Code
- Minimum Maintenance of Effort Expenses to Receive Gas Tax Funds and PCI Progress

Reorganization of Departments

Combine Public Works and Development Services



10-point improvement

Impacts

Reduction in Staffing & Resources will impact the progress made on the City's Pavement Condition Index

Community Services & Communications

Budget Reduction Target of \$2,515,010

- Community Services – Provides Four Primary Services
 - ✓ Communication & Digital Media Services
 - ✓ Recreation Programs
 - ✓ Older Adult and Senior Services
 - ✓ Library

Only Option is to Eliminate One of these to Meet the Budget Reduction Target

Will Discuss Further in Scenario #3

Scenario #3

Targeted Business Model Approach

- Defining “What is an Essential Service?”
 - ✓ **Primary Conversation for July 12**
- Preserving Public Safety and Other Health and Safety Services
- Targeted Approach Reduces the Burden on Public Works & Development Services

Community Priorities

Residents have identified the following community priorities:

- ✓ Addressing homelessness
- ✓ Attracting businesses and jobs to the City
- ✓ Improving public safety and police services
- ✓ Maintaining and repairing local streets, roads and sidewalks
- ✓ Keeping public areas clean and free of graffiti

General Fund Departments

Scenario #3
*Targeted Business
Model Approach*

**Budget Reduction
Target of
\$10,000,000**

Department	FY2023/24 Projected Expenses
General Government Services	\$8,258,700
Community Services & Communications	10,835,430
Development Services	8,343,060
Public Works	12,398,470
Police	54,083,660
Fire	33,528,860
California Center for the Arts	3,247,370
Total General Fund Expenditures	\$130,695,550

Scenario #2 Preserve Public Safety

Scenario #1 Across the Board

Scenario #3

Targeted Business Model Approach

Budget Reduction Target of \$10,000,000

Summary of Programs & Services Identified

- Community Services & Communications
- Economic Development
- General Government & Administrative Services
 - Corresponding Impacts to Administer a Smaller Operating Model
- California Center for the Arts

Community Services & Communications

*Scenario #3
Targeted Business
Model Approach*

Provides Four Primary Services

Department	FY2023/24 Expenses
Recreation & Special Events	\$4,660,720
Library	3,771,040
Older Adult & Senior Nutrition Program	1,357,630
Communications & Digital Media Services	1,046,070
	\$10,835,430

Community Services

Eliminate Recreation Programs as a City Service – Net Budget Reduction of \$2,048,370 (Expenses Less Program Revenue)

Eliminate 17 Staff Positions:

- 1 Deputy City Manager Position
(Communications & Digital Media would move to City Manager)
- 14 Full-Time Staff Positions
- 2 Regular Part-Time Staff Positions

Eliminate

≈100 Temporary Part-Time Staff Positions

Close City Facilities*:

- East Valley Community Center
- Escondido Sports Center
- Don Anderson Building
- Mathes Center
- Oak Hill Activity Center
- Washington Park Recreation Building

**Unless Operated & Resourced by Another Entity*

Community Services

Scenario #3
Targeted Business
Model Approach

Eliminate the Recreation Program as a City Service

Impacts: Close the East Valley Community Center

	Current Services	Reduced Services
East Valley Community Center	<ul style="list-style-type: none">• Facility Reservations• Open Gym• Police Athletic League• Recreation Classes	Closure of the Facility <i>Unless Operated & Resourced by Another Entity</i>

Community Services

Eliminate the Recreation Program as a City Service

Impacts:

Closure of the Sports Center and Reduced Programming at Kit Carson

	Current Services	Reduced Services
Kit Carson Park – Sports Center	Athletic Leagues <ul style="list-style-type: none"> • 1,212 participants youth soccer program • 6 youth soccer, pop warner, and baseball leagues with 3,497 participants • 201 adult softball teams with 2600 participants • 8 soccer tournaments with 13,000 participants. • 17 softball tournaments with 22,000 participants • 92 adult hockey teams with 1,104 participants 	<p>Closure of the Facility</p> <p>Minimum Maintenance of Park</p> <p>No Programs Offered</p> <p><i>Unless Operated & Resourced by Another Entity</i></p>
	Skate Park <ul style="list-style-type: none"> • 6,727 participants/visits at the skate park 	

Community Services

Eliminate the Recreation Program as a City Service

Impacts: No Programming at City Pools

	Current Services	Reduced Services
Aquatics Facilities	Two Pools	Pools Open for Facility Reservations (School Districts) – Absorbed by Another Department/Entity
Recreation Programming (Classes)	Recreation Programming <ul style="list-style-type: none"> • 1000+ swim lessons • Open swim • Learn to swim • Aquafit 	No Recreation Programs Offered <i>Unless Operated & Resourced by Another Entity</i>

Community Services

Scenario #3
Targeted Business
Model Approach

Eliminate the Recreation Program as a City Service

Impacts: Eliminate the Public Art Program

	Current Services	Reduced Services
Eliminate Public Art Program (staff time)	Public Art Commission	Public Art Commission Dissolves
Public Art Maintenance	Public Art is Maintained	Existing public art would remain until condition demands removal
Niki Foundation	Staff work with the Niki Foundation to Program the Queen Califia Art Sculpture	Absorbed by another department/entity

Community Services

Scenario #3
Targeted Business
Model Approach

Eliminate the Recreation Program as a City Service

Impacts: Reorganization of Volunteer Program

	Current Services	Reduced Services
Volunteer Program	Currently Community Services Staff	Move to the City Manager's Office

Community Services

Eliminate the Senior Nutrition & Older Adult Services Program

Net Budget Reduction of \$1,051,450

Eliminate 11 Staff Positions:

- 3 Full-Time Staff Positions
- 8 Temporary Part-Time Staff Positions

Close City Facility*:

- Park Avenue Community Center

**Unless Operated & Resourced by
Another Entity*

Community Services

Scenario #3
Targeted Business
Model Approach

Eliminate the Senior Nutrition & Older Adult Services as a City Service

Impacts: Park Avenue Community Center Closes

	Current Services	Reduced Services
Meal Contract	Serving 100 people per day 20,300+ annual meals	Not Provided <i>Unless Operated & Resourced by Another Entity</i>
Transportation Contract	Transports 30 people per day 9,220+ annual one-way rides *25 people on the waitlist	Not Provided <i>Unless Operated & Resourced by Another Entity</i>
PACC Resources	Elimination of available resources for seniors	Not Provided <i>Unless Operated & Resourced by Another Entity</i>

Library

Close the Library = Budget Reduction of \$2,945,140

- The Library is owned by the City and operated by Library Systems & Services (LS&S) under a Management Agreement
- The term of the agreement is through June 30, 2027:

Fiscal Year	Management Fee
FY2023/24	\$2,945,140
FY2024/25	3,033,490
FY2025/26	3,124,500
FY2025/26	3,218,230
FY2026/27	3,314,777

Library

Close the Library = Budget Reduction of \$2,945,140

- ✓ **End the Management Agreement with LS&S**
 - The termination clause allows the City to end the agreement as of June 30 –
“in the event funds for the following fiscal year are not appropriated for the library”

Library

Close the Library = Budget Reduction of \$2,945,140

11 out of 18 Cities in San Diego are served by the San Diego County Library

- Funded by a dedicated library property tax that is assessed to all parcels in areas served by the County Library.
- This dedicated tax accounts for 78% of all revenue received by the County Library.

San Diego County Library	Independent Library
Del Mar	Carlsbad
El Cajon	Chula Vista
Encinitas	Coronado
Imperial Beach	Escondido
La Mesa	National City
Lemon Grove	Oceanside
Poway	San Diego
San Marcos	
Santee	
Solana Beach	
Vista	

Scenario #3

Targeted Business Model Approach

Scenario #3
Targeted Business
Model Approach

Budget Reduction Target of \$10,000,000

Program/Services	Budget Reduction
Library	(\$2,945,140)
Recreation Services	(2,048,370)
Senior Services	(1,051,450)
<hr/>	
TOTAL	(\$6,044,960)

Eliminated –
20 Full-Time Positions and
≈111 Temporary Part-Time Positions



Smaller Organization Requires Less
Administrative Services

General Administrative Services

Reduce General Government & Administrative Services

Department	Description	Budget Reduction
City Manager	2 Positions – Economic Development & Contract Expenses	\$409,540
City Attorney	1 Position	142,000
City Clerk	1 Administrative Position	82,930
Treasurer	1 Accountant	103,000
Finance	1 Accountant	103,000
Human Resources	1 Senior Human Resources Analyst 1 Department Assistant	117,720 56,000
Information Systems	1 Network Engineer 1 Geographic Analyst Position Staff Overtime	120,970 128,360 4,000

**Additional
Reduction in Staff
(10 positions) and
Other Expenses**

**Budget Savings
\$1,267,520**

Scenario #3

Targeted Business Model Approach

Scenario #3
Targeted Business
Model Approach

Budget Reduction Target of \$10,000,000

Program/Services	Budget Reduction
Library	(\$2,945,140)
Recreation Services	(2,048,370)
Administrative Services	(1,267,520)
Senior Services	(1,051,450)
TOTAL (\$7,312,480)	

Eliminated –
38 Full-Time Positions and
≈111 Temporary Part-Time Positions

California Center for the Arts, Escondido

Scenario #3
Targeted Business
Model Approach

Operations and Financial support is provided by the City through a Management Agreement:

- A management fee for the operation of the Center,
- Gas and electric utility bills for the campus, and
- Building Maintenance & Network Administration,

Either through direct payments of operational costs or employee staff time

FY2023/24 Operating Budget

Management Fee	\$660,000
Gas & Electric Utilities	1,177,300
Insurance Premium	108,900
Building Maintenance	1,008,960
Network Support Services	92,210
Total Center for the Arts	\$3,047,370

The operating budget also includes a pass thru payment from SDG&E of \$200,000

California Center for the Arts, Escondido

Scenario #3
Targeted Business
Model Approach

Close the CCAE Facility = Budget Reduction of \$2,388,410

FY2023/24 Operating Budget

Management Fee	\$660,000
Gas & Electric Utilities	1,177,300
Insurance Premium	108,900
Building Maintenance	1,008,960
Network Support Services	92,210
Total Center for the Arts	\$3,047,370
Estimated Remaining Expenses*	(658,960)
Net Reduction to the General Fund	\$2,388,410

**Will still incur some expenses in a vacant building*

Management Agreement

- Current Agreement Expires June 2024
- The termination clause allows either party to end the agreement with 6 Months Notice –

“Either Party may, at any time during the term of this Agreement, terminate this Agreement for any reason (i.e. without cause) by tendering six (6) months advance written notice to the other Party.”

General Fund Future Forecast

Budget Reduction Target of \$10,000,000

Program/Services	Budget Reduction
Library	(\$2,945,140)
CCAE	(2,388,410)
Recreation Services	(2,048,370)
Administrative Services	(1,267,520)
Senior Services	(1,051,450)
TOTAL	(\$9,700,890)

Manageable Budget Gap

Revenue Options

Ongoing Revenue Options Analysis – September 2023

Items to be reviewed include:

- ✓ General Sales Tax
- ✓ Cannabis
- ✓ Utility Users Tax
- ✓ TOT Rate
- ✓ Parks District

Full Cost Recovery Fee Study – January 2024

- ✓ Calculate and Consider Full Cost Recovery for all City User Fees

Revenue Options

Citywide Fee Study – Full Cost Recovery Model

Sample Recreation Program Fees

Program	<u>Duration</u>	Current Fee	Full Cost Recovery Fee*	Percentage Increase
Learn-to-Swim Program	1 week sessions = 30 min/day for 4 days	\$40.00	\$98.00	145%
Youth Soccer Program	3 hours/week for 8-10 weeks depending on age	\$92.50	\$135.00	45.9%
Adult Softball	1.5 hours/week for 10 weeks plus playoffs	\$425.00	\$600.00	41.2%

*Excluding ongoing maintenance and capital replacement costs

Funding Options

These are important Quality of Life City Services

ARPA Funding Available for Two Fiscal Years

Unallocated Balance = \$6,804,814

✓ Impacted by the Pandemic:

- **Library**
- **CCAЕ**

Funds Required to be Committed by December 2024

Next Steps

June 14

**American Rescue
Plan Update**

June 21

**Adoption of the
FY2023/24 Operating
and CIP Budgets**

July 12

City Council Retreat

September 2023

**Review of Additional
Revenue Options**

January 2024

**Fee Study
Full Cost Recovery
Model**

December 2024

**Deadline to Commit
ARPA Funds**