

Budget-In-Brief

2005-07 Financial Plan

Approved 2005-06 Budget

The purpose of this "budget-in-brief" is to summarize the City's 2005-07 Financial Plan by highlighting the City's budget process, key budget features, major City goals and basic "budget facts." If you have any questions about the City's budget or would like a complete copy of the Financial Plan, please call us at 781-7127 or visit our web site at www.slocity.org.

Purpose of the City's Two-Year Financial Plan

The fundamental purpose of the City's Financial Plan is to link what we want to accomplish for the community with the resources necessary to do so. Our Financial Plan process does this by: clearly setting major City goals and other important objectives; establishing reasonable timeframes and organizational responsibility for achieving them; and then allocating the resources required for implementation.

This process results in a two-year budget document that emphasizes long range planning, budgeting for results, effective program management and fiscal accountability. While appropriations are still made annually under this process, the Financial Plan is the foundation for preparing the budget in the second year.

Major City Goals

Linking important objectives with necessary resources requires a process that identifies key

goals at the very beginning of budget preparation. Setting goals and priorities should drive the budget process, not follow it.

For this reason, the City began the 2005-07 Financial Plan process with a series of in-depth workshops where Council members considered candidate goals presented by community groups, Council advisory bodies and interested individuals; reviewed the City's fiscal outlook for the next five years and the status of current goals; presented their individual goals to fellow Council members; and then set and prioritized goals for the next two years.

City staff then prepared the Preliminary Financial Plan based on this policy guidance from the Council. A number of budget workshops and hearings followed, resulting in final Council adoption of the 2005-07 Financial Plan on June 21, 2005.

Financial Plan Policies

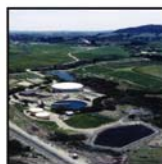
Formally articulated budget and fiscal policies provide the fundamental foundation for preparing and implementing the Financial Plan. Included in the Financial Plan itself, these policies cover a broad range of areas such as user fee cost recovery goals, enterprise fund rates, investments, capital improvement management, capital financing and debt management, minimum fund balance and reserve levels, human resource management, productivity and contracting for services.



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city of san luis obispo

KEY BUDGET FEATURES

Budget balancing for 2005-07: Another tough act to follow from two years ago. The City continues to face a very difficult fiscal outlook. On the heels of closing a \$7 million General Fund budget gap two years ago – and another \$1.4 million last year – we were faced with a \$2.1 million gap in 2005-07, largely due to continued State takeaways.

For the next two years, we have been successful in preparing a Financial Plan for 2005-07 that reasonably balances the delivery of core services with the resources available to us.

However, achieving this balance required service reductions in all areas of the City's operations, including public safety and basic infrastructure maintenance like street paving.

In the long run, we need to develop a stable new revenue source, which will require voter approval via a revenue ballot measure. As discussed in May 2005 when we presented the results of a revenue measure feasibility analysis to the Council, the need to do so is driven by four key factors:

❶ The State has taken \$22 million of our City revenue over the past 15 years, and continues to take \$3 million from us each year to help balance the state budget. This measure would give us more local control and keep local tax dollars here to pay for essential services.

❷ The City has been forced to use millions of dollars from our emergency reserves to provide essential City services. Without additional funds, we will no longer be able to provide important services, such as paving streets and upgrading the 100-year-old storm drains.

❸ Calls for fire and paramedic services have increased by 65% in the last decade. Unfortunately, without additional funding, our emergency services are unable to keep pace with this demand. Without this measure, we will have to cut back emergency services even more.

❹ Budget cuts have forced the City to reduce spending on infrastructure and facility upkeep by 50 percent. Unless we act, the City's infrastructure, including parks, roads and storm drains, will deteriorate.

Serious Service Gaps Remain

- We have cut sworn positions in the Police Department, including in the high priority area of traffic enforcement.
- We do not have a full-time Fire Marshal nor a permanent Training Officer for our firefighters. In a full-service city of our size, these should be full-time, regular positions.
- We have suspended the "neighborhood" street paving program. In 2005-07, we will only be able to complete limited arterial street repairs.
- We have virtually no City funding for flood protection or storm drain maintenance projects.
- We have discontinued General Fund support for the open space acquisition program.
- We only have one Code Enforcement Officer. In a City our size, this is inadequate to address community concerns such as building violations, property maintenance and other code matters.
- Public counter support is reduced in the Community Development Department: the "front line" in customer service.
- We have reduced the amount of cultural and social service grant funding available, even though the services provided by these groups help make our community a special place.

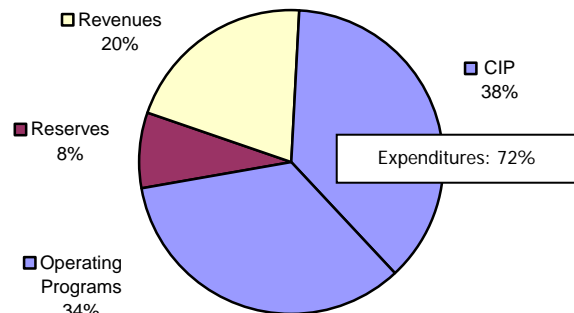
Revenue measure is viable, but with caveats. Fortunately, given our tough fiscal situation, the May 2005 analysis shows that a general-purpose sales tax ballot measure of no more than ½-cent in 2006 is viable. However, it also shows that its success depends upon an effective public information and community outreach program accompanied by strong fiscal accountability provisions, such as a sunset provision.

Accordingly, given the difficult financial outlook facing us, we will be initiating a comprehensive public education and community outreach program in 2005-06.

Budget balancing strategy. As surfaced in the December 2004 Forecast, the City faced a General Fund budget gap in 2005-07 of \$2.1 million annually. Our strategy in closing this gap consisted of four key elements: using reserves; further reducing the "maintenance-only" capital improvement plan (CIP); further reducing operating program costs and related service levels, including cutting over 12 positions; and implementing selected new revenues as allowed

under Proposition 218. The following chart summarizes the role that each of these elements played in the City's budget-balancing strategy.

Closing the General Fund Gap: \$2.1 Million



As reflected above, expenditure reductions account for over 70% of the budget balancing strategy.

MAJOR CITY GOALS

The 2005-07 Financial Plan sets major City goals for the next two years and links them with the programs, projects and resources necessary to achieve them. Detailed work programs have been prepared for each of these goals, including the challenges we will face in achieving the goal, action plans and resource requirements.



Infrastructure Maintenance
Continue to maintain City infrastructure, such as roads, sidewalks, water, sewer, storm drainage and parks, at a moderate level.



Open Space Preservation
Continue funding open space acquisition and the natural resources program; maintain and enhance open space, creeks and riparian habitat; and continue "SLO Stewards" program and collaboration with conservation organizations.



Traffic Congestion Relief
Continue efforts to improve traffic flow, safety and reduce traffic congestion throughout the City.



Economic Development: Sales Tax and TOT Revenues
Encourage and promote projects and programs that will increase sales tax and transient occupancy tax (TOT) revenues.



Bikeway Improvements
Continue efforts to improve bicycling in the City, including completion of the Railroad Safety Trail, Bob Jones City-to-Sea Trail and the Bill Roalman Bicycle Boulevard.



Downtown
Continue the City's traditionally strong support for the downtown in multiple areas, such as maintenance, economic development, public safety, parking and tourism promotion, including progress on the installation of pedestrian lighting, and other improvements as resources allow.



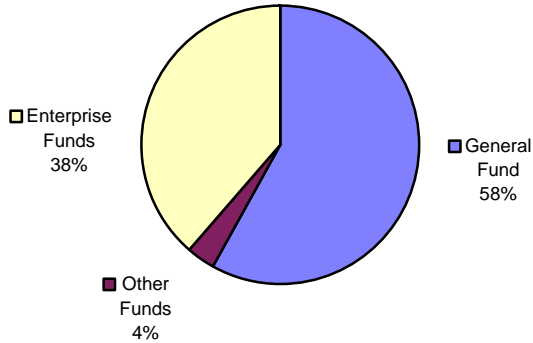
Cooperative Use of Sports Facilities
Support the Joint Use Committee in further redeveloping school district sports facilities.



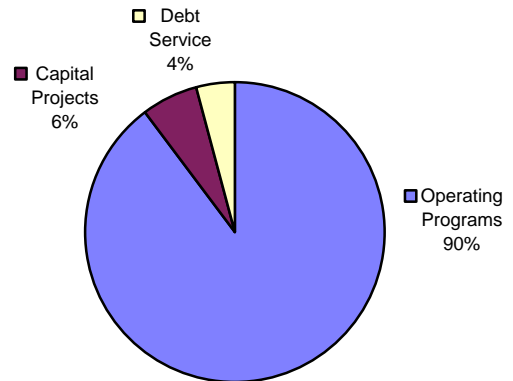
Long-Term Fiscal Health
Continue developing and implementing a long-term plan that will deliver desired service levels, adequately maintain existing infrastructure and facilities, and preserve the City's long term fiscal health.

BUDGET FACTS

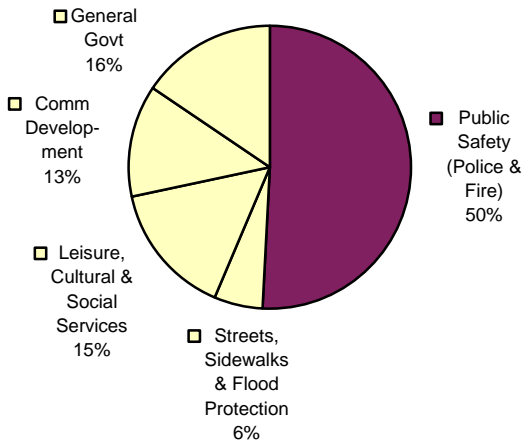
**2005-06 Budget By Funding Source:
\$74.3 Million**



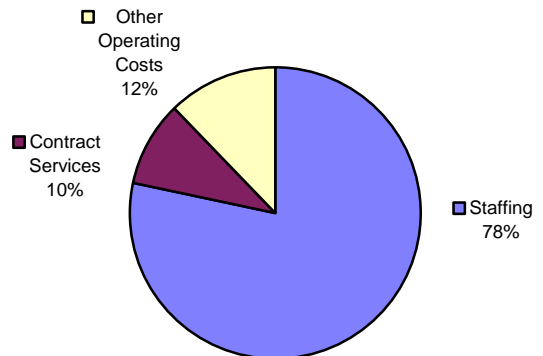
**2005-06 General Fund Budget:
\$43.1 Million**



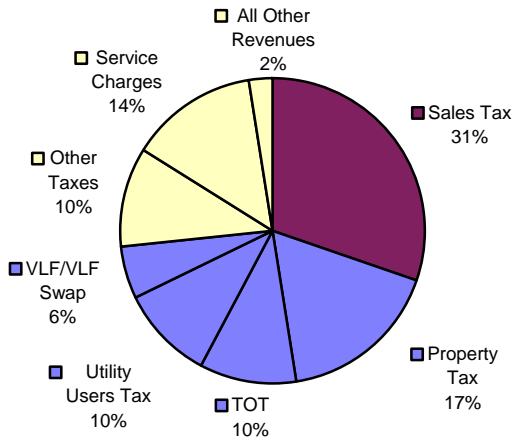
**2005-06 General Fund Operating Budget
By Function: \$38.0 Million**



**2005-06 General Fund Operating Budget
By Type: \$38.0 Million**



**2005-06 General Fund Revenues:
\$40.4 Million**



2005-07 Major Capital Projects: All Funds *

Water System Improvements	\$5.3
Wastewater System Improvements	9.8
Arterial Street Paving	1.9
Downtown Paving	0.2
Los Osos Valley Road Paving Rehabilitation	0.5
Intersection Improvements: Tank Farm/Broad	0.4
Traffic Signal Installations	0.4
Pedestrian & Bikeway Improvements	1.4

* In Millions

2005-07 Regular Staffing: All Funds

Public Safety	137.0
Public Utilities	58.8
Transportation	25.5
Leisure, Cultural & Social Services	28.0
Community Development	37.6
General Government	54.9
Total Positions	341.8