

**MONTEREY CITY BUDGET**  
**Frequently Asked Questions**  
Revised 2/17/09

**1. How big are the City's projected deficits?**

The Finance Department is projecting a \$2.8 million deficit for this fiscal year, which ends June 30, 2009 and a \$5.7 million deficit for next fiscal year, which runs from July 1, 2009 through June 30, 2010. Those numbers may be revised upward as Finance gets new information on the revenue declines they're seeing due to the recession. This is what we estimate for the moment and only considers the next 18 months. Beyond that, we may experience further challenges; we just do not have the means to estimate with certainty beyond the 18-month horizon.

**2. What caused the deficits?**

A worldwide recession has lowered the revenues the City normally gets from hotel and sales taxes, as well as other sources of income. Less money coming in means the City can't afford to do all of the things it had planned and needs to reduce expenditures, just like our citizens would do at home.

The City started this fiscal year on July 1, 2008 with a balanced budget and a caution about a slowing economy. The Finance Department continually monitors economic activity related to hotels, businesses and local attractions in order to track declines in tourism and retail sales. Those declines led Finance to revise its revenue estimates in late November and then again in early January. Finance may revise current revenue projections downward yet again, if necessary.

**3. The City has reserve funds on hand. Why not use the reserve for economic uncertainty to fix the deficit?**

We don't know how long or how deep the current recession will be. The prudent strategy is to hold onto the \$6.6 million in reserves we started this fiscal year with until we have a better understanding of the problem and know that use of our reserves will have a positive effect. The last thing we want to do is avoid confronting the challenge, have our reserves run out, and then still be faced with the challenge and no reserves. Given the size of this year's and next year's deficits (\$2.8 and \$5.7 million respectively), our reserves would run out. That being said, we are looking at the possibility of using some of the money we put into the reserve for economic uncertainty this year as part of the solution to this year's deficit.

**4. Why not use other funds, such as the parking fund, to close the deficits?**

The parking fund is one of several enterprise funds within that City. Enterprise funds generate revenue from fees charged to users of services provided by the enterprise. The City is required to use that money to support only the cost of the enterprise operation itself, including all overhead. For example, parking funds are restricted to parking related uses. So we couldn't use money from the parking fund to pave streets or maintain parks.

## **5. Why not use volunteers to reduce expenses during the budget crisis?**

The City currently has 600 volunteers, who help provide services across the City. From Volunteers-in-Policing to Volunteers, volunteers of all ages are an important part of the City organization already. The law makes it very difficult to replace City employees with volunteers. And every volunteer has to be supervised by an employee – so we need to strike the right balance – and with fewer employees, our capacity for managing volunteers diminishes.

## **6. Why not cut unnecessary programs and eliminate the jobs associated with them?**

Every program offered by the City and every employee who works on that program provides an important service to someone in Monterey. From seniors who are cared for at the Senior Center – to young children receiving homework help after school through the Library, Monterey is a City that takes care of its residents.

The City currently is analyzing 5% – 20% budget reductions submitted by each department. Any proposed budget reductions will be based on identified priorities rather than an across-the-board reduction. Cuts will mean reductions in services, and service reductions will be part of the solution to the deficit.

The City also is opening discussions with its employee bargaining units to explore alternatives to lay-offs, such as furloughs and cost-of-living increase delays. Executive managers have volunteered their July 1 cost-of-living increase and employees already have offered hundreds of budget ideas that are under consideration by the City and available to the public at [monterey.org/budget/budgetnews.html](http://monterey.org/budget/budgetnews.html).

## **7. Where are the large savings for the City?**

Employees represent 74% of General Fund budget. So, the biggest savings would come from reducing the number of employees in the City. Long-term, the City needs to move to a smaller workforce to structurally balance in its budget. Short-term, the City hopes to transition to a smaller workforce through attrition, not filling vacancies and, possibly with some assistance from employee groups as mentioned above. But each employee the City loses and doesn't replace means a service will then be lost by dozens – sometimes even hundreds of our residents.

## **8. How much would the City save if employees gave up their cost-of-living increases this July?**

A rough estimate of savings from employees foregoing cost-of-living increases this year is \$1.1 million. That decision would have to be negotiated with the employee bargaining units. The City can't act unilaterally in this area. The City is opening discussions with its employee bargaining units to explore alternatives to lay-offs, such as furloughs and cost-of-living increase delays. We see any delay in cost-of-living increases as a bridge solution to the smaller organization mentioned above.

**9. How much would the City save if employees took a furlough day?**

A rough estimate is \$157,000 saved for each furlough day taken by employees across the organization. This option would have to be negotiated with the employee bargaining units. The City is opening discussions with its employee bargaining units to explore alternatives to lay-offs, such as furloughs and cost-of-living increase delays.

Keep in mind that our employees are members of our community who depend upon their income to meet the same obligations we all have in our budgets – mortgages, purchasing food, etc. It would be very hard to make this type of change part of an ongoing solution. So, we see this as a possible bridge solution.

**10. How do Monterey's salaries, especially management salaries, compare with other cities?**

Monterey's practice has been to set its salaries at "average" when compared with the labor markets it competes in. We therefore do not pay the highest salaries, and we also do not generally pay the lowest. We are not aware of any salaries in the City that are ahead of their market averages but we do have information that the salaries for a number of positions are trailing their respective markets.

**11. How much money would be saved by closing the Library one day a week?**

A rough estimate is that closing the Library one day a week would save the City's General Fund \$138,359 a year. This information must be considered very carefully, however, because a variety of scheduling and staffing considerations make it impossible to staff the Library up or down on a day-to-day basis

**12. Why not cancel the 4<sup>th</sup> of July fireworks? How much would that save?**

That may happen. The Parks and Recreation Commission has recommended that the fireworks be cancelled this summer. The City Council will take up that recommendation on February 17. Canceling the fireworks would save about \$82,000 in the first year and \$123,000 in the second year.

**13. Is the City considering the sale or privatization of the Sports Center and / or Conference Center?**

The City is not considering the sale or privatization of either the Sports Center or the Conference Center. Both facilities are important assets to the City of Monterey. Our analysis indicates that contracting either operation out would not be cost effective and may raise some service level concerns.

**14. Why did the City approve a 2.7% at 55 retirement benefit for employees?**

The City approved 2.7% at 55 to attract and retain a high quality workforce. At the time of that approval, the economy was growing and Monterey was losing long-time employees to neighboring communities offering higher wages and better benefits. The retirement benefits being offered by these other organizations were a major factor that was causing the City to lose employees.

**15. Why did the City approve a new police contract?**

At the time, our market data showed that we were significantly behind the average of the market, and as a result we were having difficulty recruiting qualified Police Officers. We were also losing skilled Police Officers, in which the City had significant investments, to higher paying agencies. If this churning of employees had continued, it is conceivable that our costs for replacing and training new Officers could have exceeded the value of wage adjustments. Additionally, we might not have been able to maintain enough officers on our payroll to provide all the public safety services our citizens have come to expect.

**16. What about tourism promotion? Shouldn't the City spend more? Shouldn't the City spend less?**

It's important for the City and the Convention and Visitors Bureau to continue spending money to promote Monterey and bring visitors here to our hotels, restaurants and attractions. We learned during the last recession that marketing dollars were well-spent during the downturn to keep Monterey top of mind and to continue to draw visitors. That being said, we are examining every dollar we spend.

**17. What are the Council's priorities in the budget?**

The Council established its mission, vision, values and strategic initiatives more than a year ago – when times were good. The new economic realities are forcing a re-evaluation of those priorities. In December, the Council issued new guidance making public safety, public health and the maintenance of essential services and facilities the City's highest priorities.

**18. How many City employees earn more than \$100,000 a year?**

114 employees earned over \$100,000 (including overtime) in 2008. Of that total, 70 employees were in public safety, where overtime for things like providing police presence for special events, attending court on a day off, or ensuring minimum staffing in the Police and Fire Departments, push earnings above the mark mentioned. Of the balance, 34 non-executive employees and 10 executives earned over \$100,000 last year.

**19. Why are retired City employees working for the City under part-time contracts?**

Two department heads and two managers work part-time for the City in roles that they used to fulfill as full-time employees. This was done as a cost savings measure several years ago. It would cost the City over \$300,000 more than we are spending today to replace these experienced part-time City executives and managers with full-time executives and managers.

**20. Is it true that the Sports Center is considering doubling its fees?**

Any fee increase at the Sports Center would have to be approved by the City Council. This year, the Recreation and Community Services Department is proposing fee increases to the Parks and Recreation Commission subject to City Council approval. We would not recommend doubling fees at the Monterey Sports Center or in any other recreation program.

**21. Is the City considering selling any of its other property holdings?**

The City continually evaluates its real estate portfolio. These holdings generate a substantial annual revenue stream to the City. While a sale of assets might yield some one-time funds, this would not be in the City's long term financial interest.

**22. Is the City looking at reducing the size of departments that aren't busy right now?**

Each department has prepared 5 – 20% reductions that are currently being analyzed as part of the solution to next year's budget shortfall. Those reductions will not be applied in the same percentages across the City. Essential services for public safety, public health and maintenance will be cut the least and we will work out from there. Also, while revenues have dropped off, our workload has not. The volume of activity in most of our departments has actually increased during these tough economic times.

**23. Is there a hiring freeze?**

A partial hiring freeze has been in place since December 2008. Every open position must be approved by the City Manager to move into the recruitment phase and then again before a job is offered. The City will fill vacant positions that are essential public safety, public health and maintenance or generate revenue.

**24. What is the City doing about the increasing homeless problem?**

The City recognizes this issue and is addressing it in a multitude of ways. There are a number of referral services that the City utilizes to help the homeless with shelter, food and the other necessities of life. It is very important to recognize that being homeless is not a crime and that the homeless enjoy the same rights and freedoms as everyone else. The Police Department is prohibited from taking enforcement action against a homeless person unless a crime has, in fact, been committed. The Police Department actively monitors the homeless situation in the City and works closely with the various Business and Neighborhood Associations to address issues and concerns that are reported to police. In this regard, the Police Department needs the public's help. Anytime that a member of the public observes what they believe to be criminal behavior by anyone in the community, they are asked to call and report it.

**25. How will the final budget be developed?**

The Finance Department is analyzing projected revenues and income for next year, as well as department scenarios for 5 – 20% budget cuts. The City and the Neighborhood Improvement Program are analyzing construction projects and will make recommendations for projects to put on hold. The Human Resources Department is meeting with employee bargaining units to see what role they might play in helping to solve the City's deficit. And we have an extensive civic engagement process underway. Employees, Boards & Commissions, businesses and residents are offering their ideas and suggestions. All of that will be taken into consideration as the City Manager develops his budget recommendation to the City Council. Ultimately the Council will decide what is approved.