

City of Bainbridge Island
OFFICE OF THE MAYOR



MEMORANDUM

TO: City Council Finance Committee
CC: Elray Konkel

FROM: Darlene Kordonowy, Mayor

DATE: April 15, 2008

RE: Sequence of actions to offset 2008 financial shortfall

At the close of the first quarter of the fiscal year, the City is experiencing shortfalls in revenues from REET, sales tax, building and development services, and utility hook-ups. By year-end, these could amount to overall shortfalls of \$2,100,000 in tax supported funds and \$400,000 in utility funds. To offset these potential shortfalls, I am working with the Finance Department as well as other members of the city's senior management team to determine an action plan to mitigate this projected deficit.

Beginning immediately, with some decisions sequenced over the next four weeks, actions will be executed in four expenditure areas of the 2008 budget. Projected savings in each of the expenditures areas are noted below:

EXPENDITURE CATEGORY	PROJECTED SAVINGS IN 2008	
	<u>Tax Supported</u>	<u>Utilities</u>
1. Salary savings (maintain existing vacancies)	\$ 350,000	\$100,000
2. Contingency (excluding legal expenses)	500,000	
3. Professional services	250,000	
4. CIP/CFP		
Cash-funded	821,253	
From Reserves	220,000	
Specific to Utilities		<u>\$300,000</u>
TOTAL	<u>\$2,141,253</u>	<u>\$400,000</u>

SALARY SAVINGS

On Monday, April 14, Directors were advised to cease recruitment and hiring processes for six positions currently or anticipated to soon be vacant. As decisions pertaining to the Capital Improvement Plan and Capital Facilities Plan (CIP/CFP) and professional services are finalized, work will be reassigned to current staff. Filling vacancies and use of overtime and temporary help may be considered on a case-by-case basis and must be approved by the City Administrator.

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USE OF CONTINGENCY FUNDS

As of Monday, April 14, requests for use of contingency funds must be approved by the City Administrator until the Fund is depleted to \$500,000, at which time the Fund will be frozen. One exception for use of contingency funds will be for legal expenses above the amount approved in the 2008 Budget.

Amounts approved in the legal category for 2008 total \$811,000; which includes \$150,000 for City Attorney, \$400,000 for Litigation, \$96,000 for Prosecuting Attorney, \$45,000 for Public Defender, \$5,000 for Conflict Public Defender and \$115,000 for Hearing Examiner.

Amounts withdrawn from contingency to date total \$119,406 leaving an amount remaining of \$712,094.

PROFESSIONAL SERVICES

I asked each Department Director yesterday to evaluate unencumbered funds budgeted for professional services and present, within a week, recommendations as to whether the scope of work for a project can be modified to reduce the cost, or whether the service can be delayed or cancelled for 2008. The package of recommended changes to budgeted professional services expenditures will be presented for action by the City Council at their May 14 meeting.

CIP/CFP

Canceling projects in this expense category will reduce the amount of councilmanic debt the city will need to incur in 2008 and trim cash outflows from the Tax Supported Funds allocated for capital projects and for debt service. The process for cancelling projects in the CIP/CFP will be addressed by the Council Finance Committee in discussions beginning this afternoon.

SUMMARY

Deliberations and decisions related to the 2008 Budget have been in the forefront of the city's work for the past six months. Over \$2 million in operational cuts were made late last year; now another \$700,000 is recommended to be trimmed from operations. These two reductions would result in an approximate 12% decrease in operational costs from previous years. These reductions are not related to the process improvements and internal efficiencies recommended in the Benchmarking Study.

STAFF PROPOSAL

	Assoc Carryover	Supported New 2008 Spending In CIP As of 12/5/07	2008 Portion of Grant Proceeds or Other	Tax Supported Cash	Tax Supported Councilmanic Debt	Footnote Utility Portion
Projects not taken out Dec 5th						
84 Other Capital Equip		48,410				
153 Waterfront Park Shoreline Improvements		179,000	179,000			
181 Police Vehicle Replacements		160,621		160,621		
211 Strawberry Plant Park	174,000	669,500	500,000		343,500	
214 Pritchard Park East Bluff		103,000	103,000			
650 Soccer Fields		300,000				
669 Senior Center Repairs		25,000		25,000		
705 C40 - 103 Eagle Harbor (Head of the Bay)	50,500	30,000		80,500		80,500
726 Pritchard Pk W. Rip-Rap Removal/Beach Restor.		100,000	100,000	-		
727 Blakely Harbor		250,000	250,000	-		
736 Generator Load Testing Program		5,000		5,000		
SUBTOTAL	224,500	1,870,531	1,132,000	271,121	343,500	80,500
Added-in by motion Dec 5th						
88 Police and Court Facility	79,000	750,000	750,000	79,000		
117 Senior/Community Center Expansion	36,000	229,000				
163 Winslow Way Ericksen to Madison						500,000
164 Winslow Way Madison to Grow						400,000
165 Winslow Way SR 305 to Ericksen						400,000
173 Wyatt Way		6,500		47,000		
378 Quay Apartments		1,600,000		100,000		
704 Madison Ave SR to Day	140,000	30,000				
742 Public Works Bathroom at O&M		100,000			100,000	
SUBTOTAL	255,000	2,715,500	750,000	226,000	100,000	1,300,000
Added-in by Budget Amendment 2008						
802 December 2007 Storm Road Repairs		861,136	523,825		237,311	100,000
113 Rock-Away Beach		250,000			250,000	
111 Roads Capital Preservation Program		400,000				
245 NM Trail Easement Acquisition		100,000			-	
761 Non-Motorized Trail Construction		120,000			-	
SUBTOTAL	-	1,731,136	523,825	-	487,311	100,000
Carry-over projects under contract						
3 Blakely School NM Improvements	204,192		150,000		54,192	51,048
11 City Hall Lighting	40,000			40,000		
33 Ft. Ward Hill Road Reconstruction Ph. I	281,777				281,777	45,000
42 Halls Hill Road Repairs	28,095			28,095		9,365
79 Nikkei Memorial II	243,443	-	139,110			104,333
83 Open Space Improvements (Nute's Pond)	56,000				56,000	
110 Road end - Minor Improvements & Maintenance	4,000			4,000		
111 Roads Capital Preservation Program	428,139			428,139		
126 SR305 NM Improvements Shoulder Widening	100,000				100,000	
148 WF Park Dock Repair	153,690			153,690		
149 Waterfront Park Restrooms	270,000	-			270,000	30,000
180 MUNIS Software Additional Modules	75,000			75,000		
339 Wilkes School NM Improvements	161,317		50,000		111,317	
352 2007 Vehicle Replacement	55,000			55,000		
353 2007 Vehicle Replacement	30,000			30,000		
693 City Hall Emergency Power Generator Upgrade	48,737			48,737		
761 Non-Motorized Trail Construction	1,000			1,000		
763 Crack Sealer	45,000			45,000		
SUBTOTAL	2,225,390	-	339,110	908,661	873,286	239,746
Utility-Only Projects						
12 Sanitary Sewer Collection System Upgrades						112,270
20 Drainage/Culvert Annual Upgrade Program						441,692
49 Horizon View Sewer LID Construction						15,000
51 Infiltration/Inflow (I&I) Reduction Program						129,310
60 Lift Station Upgrade 305						393,464
63 Lift Station Upgrade Village						70,000
127 Sunday Cove Lift Station						10,105
132 Water Supply - Weaver Facility Reconstruction						49,440
134 Sanitary Sewer Telemetry Upgrade Program						25,750
145 Water Mains Upgrade - Annual						112,270
159 Wing Point Sewer						48,410
169 Sanitary Sewer Treatment Plant Upgrade Constr.						7,733,763
177 Wyatt-High Zone Main						56,650
311 High School Reservoir Well & Building						167,750
341 Head of the Bay Wellfield Upgrade, Phase III						375,923
342 Sanitary Sewer Treatment Plant Upgrade Design						215,596
351 Dump Truck Replacement						105,000
644 Head of the Bay Well 2 & 5 Rehabilitation						85,000
657 Wastewater Treatment Plant Outfall						50,000
670 Capital Equipment Replacement Program - 2008						95,000
736 Generator Load Testing & Sound Att. Program						30,000
759 Pt. Monroe and Lafayette Sewer LID						200,000
SUBTOTAL	-	-	-	-	-	10,522,393
Toward Cost of Issuance					7,680	
Total Capital Projects to be Funded in 2008	2,704,890	6,317,167	2,744,935	1,405,782	1,811,777	12,242,639
Carryforward Capital Projects Bonded in 2007						
165 Winslow Way SR 305 to Ericksen	227,000					
166 Winslow Way Preliminary Design SR 305 to Grow	125,000					125,000
SUBTOTAL	352,000	-	-	-	-	125,000

9,022,057 Total Capital Projects This Spreadsheet 12,242,639
 352,000 Carryforward Capital Projects Bonded in 20 125,000
 9,374,057 2008 CIP 12,367,639

Cash for capital as of 12/17/07	2,499,784
Proposed cash for capital as of 3/11/08	1,405,782
Cash available for operations	1,094,002
Operating Amendments From Feb 19 Meetings	272,649

21,741,696
Total

SAVINGS 821,353 1,938,223

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SUBTOTAL	224,500	1,870,531	1,132,000	619,531	343,500	80,500
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173 Wyatt Way		6,500		6,500		
378 Quay Apartments		1,600,000		100,000	1,500,000	
704 Madison Ave SR to Day	140,000	30,000			170,000	
742 Public Works Bathroom at O&M		100,000			100,000	
SUBTOTAL	255,000	2,715,500	750,000	185,500	2,035,000	1,300,000
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Proposed cash for capital as of 3/11/08	2,227,135		Utility
Cash available for operations	272,649	21,714,919	
Operating Amendments From Feb 19 Meetings	272,649	Total	