



N. ENRIQUE MARTINEZ
City Manager

City of
REDLANDS

Incorporated 1888
35 Cajon Street, Redlands, CA 92373
909-798-7510
nemartinez@cityofredlands.org

**BUDGET MESSAGE FOR CITY MANAGER'S
FISCAL YEAR 2011-2012 ADOPTED BUDGET**

The Adopted Budget for Fiscal Year 2011-2012, approved by the City Council on June 6, 2011 provides a budget that is balanced on reoccurring revenues, with no new taxes, and without the use of loans or reserves. In approving the budget, the City Council also provided direction and authority to the City Manager to find a revenue source to restore funding for crossing guards and tree trimming and return to the City Council in September, 2011 with a report on these priorities.

Based on decisions made in December to cut the Fiscal Year 2010-2011 Budget and after a review of revenues at mid-year, we reported a balanced budget for Fiscal Year 2010-2011, but warned that an estimated General Fund shortfall of \$3.9 million for Fiscal Year 2011-2012 would need to be addressed. In preparing the Fiscal Year 2011-2012 Budget, the Executive Team and support staff worked diligently to eliminate that shortfall while always considering the City's Core Values as a guiding document.

The decisions made, however, have been difficult ones that include assumptions that are by no means certain and risks that in better times we would be unwilling to accept. Significant components of the changes made to eliminate the shortfall include the elimination of 19 positions and other personnel changes resulting in \$484,338 in salary and benefits savings; a reduction of \$400,000 in employee Leave Buybacks; and reductions in both the Liability and Worker's Compensation Funds, which in turn, provide savings to the General Fund. These reductions leave minimal unreserved fund balances in these funds, while maintaining reserves of \$500,000 and \$1,000,000, respectively, for Liability and Worker's Compensation. Nevertheless, General Fund reserves could be at risk if the City were to receive any large claims in excess of these reserves or if revenues continue to decline.

Other changes include reductions for Police and Fire vehicles and equipment totaling \$378,405 and reductions for Garage Charges of \$167,145.

A contingency account has been added within the City Manager's department budget for savings due to vacancies occurring throughout the year, as well as potential overtime savings from closing City Hall during the December holidays. Savings have been anticipated at \$100,000 and \$50,000, respectively.

In addition to expenditure reductions, a new revenue source has been included in the General Fund beginning in Fiscal Year 2010-2011 and continuing into Fiscal Year 2011-2012 and future years. Recently enacted state legislation replaces previous transportation funding received from the state with revenue from a less restrictive motor vehicle fuel tax. This revenue may be used

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for improvement, maintenance and operation of public streets and highways. Historically, gas tax monies of approximately \$1.1 million are received by the General Fund in support of street maintenance and operations.

Although the recommendations by staff and the decisions made by the City Council have been painful, they were necessary to eliminate a shortfall, avoid additional financial hemorrhaging in the General Fund, and to protect the City's future.

While focus is placed on the challenges faced by the City's General Fund and its future, the future of the City as a whole is of the greatest importance to me, as it is to the residents of Redlands. In addition to a General Fund Budget of \$51.9 million, the City's budget includes Enterprise Funds totaling \$80 million. Attention to the details of these Enterprise Funds is a crucial component of our financial stewardship. To that end, for example, we are looking at the services provided by the Solid Waste division and will explore ways in which the refuse collection revenue can be utilized more efficiently to provide for a fleet and equipment replacement program and additional reserves for the closure of the landfill. The Quality of Life Director will work with Information Technology to develop a logistical route software program to make the collection routes more efficient. These changes are intended to reduce the amount and frequency of rate changes to our Solid Waste customers. A similar model will be instituted in the Water and Wastewater divisions as well. The addition of a Wastewater Operations Superintendent will replace two existing positions, a reorganization that will provide operational efficiencies and cost savings in that division. A Principal Accountant has been added in the Finance Department whose primary function will be to provide enhanced accountability over the City's Enterprise funds.

Also recommended in the Fiscal Year 2011-2012 Adopted Budget is the addition of an Economic Development Manager, whose role it will be to grow the economy of our City now and into the future. Furthermore, as a result of the fiscal contributions of the part-time Volunteer Resources Coordinator over the past two years, that position has been increased from a three-quarter to full-time position. An additional \$18,800 has been added to provide equipment for the creation of an unpaid Reserve Firefighter position.

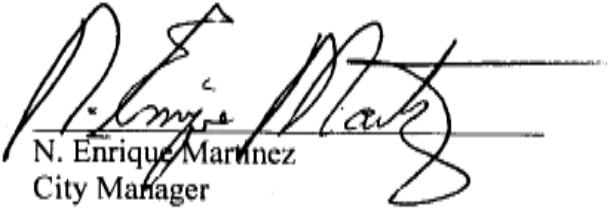
Beginning with the Fiscal Year 2011-2012 Adopted Budget, the City will highlight the accomplishments and sustainability efforts of each department. This year the Quality of Life Department will develop and implement a performance measures model that will ultimately be adapted and used by all departments. As we institute performance measures across all departments, future budgets will quantify savings from those measures.

In conjunction with the City's Core Values and the goals set by the City Council, the City will develop a Path to Excellence model that evaluates performance and assesses where improvements or innovations are most needed, ultimately achieving results that enhance the culture of the City of Redlands.

I wish to thank the City Council Budget Subcommittee for their participation in preparing the Fiscal Year 2011-2012 Budget. I also wish to express my pride in the professional Executive and support staff who have been instrumental in maintaining a high level of City services while allowing the City to increase its reserves since 2007 and who continue to keep service to the

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residents of Redlands as their highest priority despite an overwhelmingly difficult climate. Although no additional reserves have been added to the Fiscal Year 2011-2012 Adopted Budget, as has been my practice in past years, the existing reserves that have grown to \$6.2 million remain intact for Fiscal Year 2011-2012, an accomplishment of which we can all be proud.



N. Enrique Martinez
City Manager