



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Dave Ramsay, City Manager
From: Tracey Dunlap, Director of Finance and Administration
Date: June 24, 2009
Subject: Service Matrix Review

Recommendation

Continue discussion of the service matrix to assist in identifying on-going reductions in the event the voted increase in the private utility tax does not pass.

Background

At the June 16, 2009 City Council meeting, staff proposed a process to undertake a "top-down" evaluation of core services to assist in identifying what service levels would need to be reduced in the event the voted private utility tax increase does not pass. The process proposed for this review is:

- Councilmembers indicate core services by placing an "X" in the "Core?" column on the Services Matrix.
- Staff will tally each Councilmember's input and the results of the will be summarized and provided at the July 1 meeting as a starting point for further discussion. The results will indicate which services each Council member designated as "Core". This will form the baseline for discussion of which services should be removed from consideration for the utility tax-related reductions, those services where a reduction in the level of service might be considered, and which services or programs might be eliminated.
- Based on the input received at the July 1 Special Study Session, staff will make necessary changes to the matrix for use at the follow-up discussion planned for the July 7 Study Session. Assuming that the list of services to be considered for reductions is agreed upon at that session, staff will develop specific service level reductions for City Council consideration at the August 4 City Council meeting. This process should provide adequate time to craft communication materials in advance of the November election.

As a reminder, the overall budget issue we are currently addressing was summarized as follows at the City Council retreat:

Recommended General Fund Shortfall Scenario

Dollars in thousands

	Annual Change		Biennial Change	No Voted Tax in 2010	Range of Shortfall
	2009	2010			
Scenario 3 - 20% Decrease & Flat Sales Tax	(2,772)	(3,055)	(5,827)	(2,240)	(8,067)
Scenario 5 - State Forecast Sales Tax Assumptions	(514)	69	(445)	(2,240)	(2,685)
Average of Scenarios 3 & 5 Sales Tax Decline	(1,643)	(1,493)	(3,136)	(2,240)	(5,376)

At the retreat, staff recommended that the budget reduction strategy focus on the "Average of Scenarios 3 & 5" sales tax assumptions. During the mid-year budget update scheduled for July 7, staff is planning to present options to address the potential shortfalls in the recommended scenario (\$5.4 million). In addition, given that the sales tax receipts year-to-date have declined over 19%, staff will also identify additional options for addressing the more pessimistic scenario (Scenario 3 - \$8.1 million).

Staff has discussed 7 tools to address the shortfall. The information presented to the City Council to date on these tools is summarized in the framework in Attachment A. The service matrix discussion is intended to assist in identifying potential service level reductions to address the remaining \$1.6 million on-going shortfall in 2010 in the event the increase in the private utility tax does not pass (shown at the bottom of the second to last column on the attachment).

**Budget Balancing Strategy - General Fund
Framework - 7/1/09 Special Study Session**

Attachment A

Dollars in thousands

	Potential Savings Available	One-Time		Ongoing		Total
		2009	2010	2009	2010	
Projected Near-Term Shortfall due to Economy		(2,772)	(3,055)	-	-	(5,827)
Projected Ongoing Shortfall due to Utility Tax		-	-	-	(2,240)	(2,240)
Total (Shortfall)		(2,772)	(3,055)	-	(2,240)	(8,067)
Strategies						
1. 8% Adjustment List Remainder	1 year - 2,622	-	-	-	-	-
2. Additional Reductions						
Line Item Budgets						
Dues & Memberships	47	-	47	-	-	47
Training and Travel & Subsistence	64	29	35	-	-	64
Services Matrix	TBD	-	-	-	-	-
3. Savings from M&O						
Internal Service Rates						
Fleet Rates (fuel savings)	170	170	-	-	-	170
IT Operating Rates	TBD	-	-	-	-	-
Facilities Operating Rates	TBD	-	-	-	-	-
Governor's Pension Rate Reductions	675	212	463	-	-	675
4. Reserves/Year End Cash						
Revenue Stabilization Reserve	1,000	1,000	-	-	-	1,000
Rainy Day Reserves	2,700	-	1,350	-	-	1,350
2008 Year-end Cash	1,500	1,500	-	-	-	1,500
5. Capital Improvement Program						
Projects Funded not Started	447	229	-	-	-	229
Projects to be Closed/Funds Repurposed	88	88	-	-	-	88
6. Compensation Savings						
AFSCME/Teamsters	344	-	-	-	344	344
MAC	270	-	-	-	270	270
IAFF	339	-	339	-	-	339
PSEU (Police Lts.)	20	-	-	-	20	20
Police Commissioned & Support Guild	296	-	-	-	-	-
7. Work Schedule Reductions						
Furlough	56/day	-	-	-	-	-
Reduced Work Week (1 hour/week)	375	-	-	-	-	-
24/7 Operations Equivalent-Furlough	TBD	-	-	-	-	-
24/7 Operations Equivalent-Wrk Wk Red.	TBD	-	-	-	-	-
Total Potential Savings		3,228	2,234	-	634	6,096
Net Surplus/(Shortfall) - Annual		456	(821)	-	(1,606)	(1,971)
Net Surplus/(Shortfall) - Biennial			(365)		(1,606)	

Shaded items indicate Mid-Year Budget adjustment recommendations.