

OFFICE OF THE CITY MANAGER
CITY OF VALLEJO

March 23, 2007

TO: MAYOR & CITY COUNCIL
ALL CITY EMPLOYEES

FROM: Joseph M. Tanner, City Manager

SUBJECT: 2007-2008 Budget White Paper

As we already know, the City of Vallejo is in serious financial trouble. The purpose of this memo is to put all of us on the "same page" so that each of us can better understand the situation.

Here are the facts:

- The City's General Fund is in very serious trouble.
- The costs to provide general City services are expected to exceed revenues by \$7.5 million for the 2007-2008 budget year.
- The General Fund will overdraw its cash balance by \$4 million at the end of the 2006-2007 Fiscal Year.
- The annual deficit in the General Fund has grown from \$3.2 million last year to a projected \$4.6 million in the current year, to the projected \$7.5 million for next year. This deficit is 8% of the projected budget.
- Property tax revenues continue to grow, but have been offset with slowing building/development revenues, and a \$1 million drop in Marine World/Discovery Park revenue sharing.
- Employee costs are growing faster than revenues.
- General Fund contingency reserves have been depleted through unplanned subsidies of the bus and ferry transportation system.
- The current year budget had counted on new revenues and cost reductions that have not materialized.

I have asked all City departments for budget cuts, especially those funded by the General Fund. Most notably, the Police Department to cut \$3 million, the Fire Department another \$2.5 million making their total cut \$3.8 million and the City Transportation Division \$2 million. There are also miscellaneous cuts from all departments being explored.

City staff is also looking for various avenues to increase funding. Some of these include, but are not limited to the following:

1. Planning and Building fees increases.
2. Ferry service increases.
3. Bus service increases.
4. Garbage franchise fees increase.
5. Street sweeping fees charged to other agencies such as Vallejo Sanitation & Flood Control District.
6. Inter-fund transfer cost allocation expense.

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7. Water Fund transfer increases.
8. False Alarm fees.
9. Police Services fees.
10. Fire Inspection fees.
11. Litter tax on fast food restaurants.
12. Fire assessment that may be placed on the ballot.
13. Sales tax that may be placed on the ballot.
14. Parcel tax that may be placed on the ballot.
15. City-wide maintenance district that may be placed on the ballot.
16. Property tax increase that may be placed on the ballot.
17. Other revenue enhancements.

City staff is exploring all possibilities for both decreasing expenditures and increasing revenue. No decisions have been made, but all possibilities are being explored.

The City Manager, Finance Director and all City Department Managers will present a budget package to the City Council in May 2007 with proposed cuts and revenue enhancements, and may propose some fee increases even earlier.