

Walnut Creek's fiscal future



CHALLENGES
and



CHOICES

The Cost of Technology

Technology is essential for every service, from public safety to managing traffic lights, but it comes with a hefty price tag. The surge of cybercrime requires additional, and costly, preventative solutions.

Rising Costs of Employee Benefits

67 percent of the City's operating budget is for the employees who provide services. Even with employees contributing significant amounts toward health care and pension costs, increases in these benefits outpace inflation.

Aging infrastructure

Walnut Creek blossomed in the 1960s to 1970s, and many of the facilities and other infrastructure built during that time are showing signs of age. Deferring small repairs today can lead to larger problems tomorrow.

Raise fees

Charge more for services and programs

Use 'one-time' money

Use one-time money or dip into reserves

Cut costs

Reduce, eliminate or alter delivery of programs and services

Perceptions

Surveys find a high degree of satisfaction with the quality of life in Walnut Creek and the programs and services provided by the City. The same surveys show little awareness of any financial challenges facing the City.

Reality

The City has been dealing with budget shortfalls since the economic downturn in 2009, and the 2012-22 Long-Term Financial Forecast shows fiscal challenges will continue. To date, cost reductions have been done in a way that has had very little impact on the public.

Bottom line

The City no longer has the resources to be able to continue to provide all the programs, services and facilities the community currently enjoys at the same level and/or in the same way.

Cost cutting

To balance recent budgets, the City has:

- Cut staff by 13 percent (51 positions total)
- Required employees pay full employee portion of pension cost
- Required employees contribute more toward health care
- Implemented a "second tier" pension benefit for new employees
- Contracted out services

Eliminated programs & services, including:

- Master's Swim Program
- Youth Council & Summer Interns
- Character Counts

Reduced programs & services, including:

- Code enforcement
- Open hours at City Hall (public counters are closed on Fridays)
- Median maintenance
- Year-round swimming at Larkey Pool

CHALLENGES

Walnut Creek's fiscal reality

Long-term financial forecast

Fiscal Years 2014-2022

Expenses with additional unfunded needs

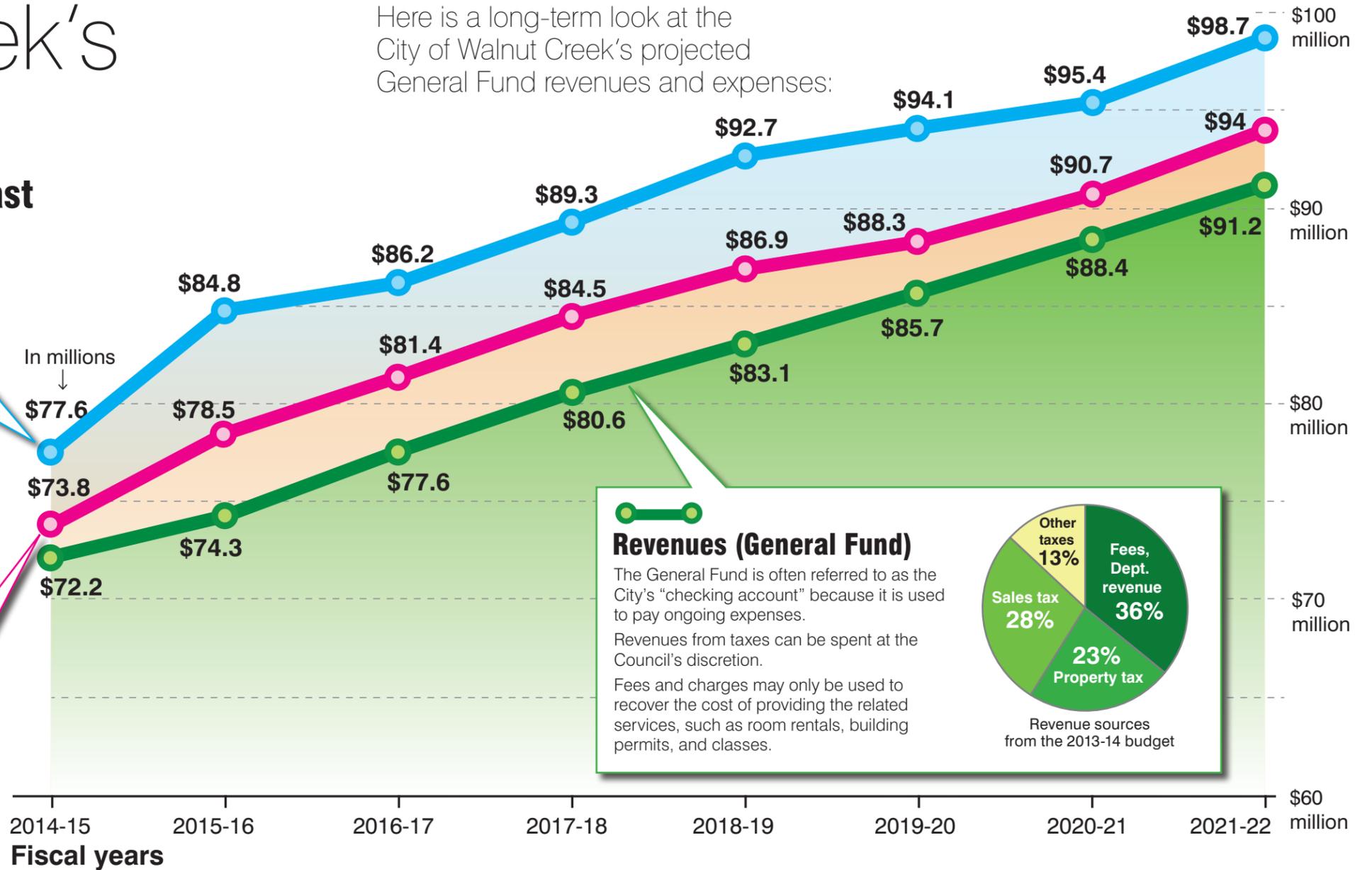
- \$3 million per year to fully meet maintenance needs of aging infrastructure: roads, storm drains, trails, parks, sidewalks and buildings
- \$1.5 million per year to fully meet Information Technology needs
- \$600,000 per year to continue providing an additional 21 hours a week of library services at both branches (current funding from the Measure Q parcel tax will run out in 2014-15).

Expenses

Continue current service and staffing levels, plus:

- Estimated salaries keep up with inflation
- Pay employee benefit obligations
- \$600,000 per year for library building and equipment maintenance
- \$500,000 per year for building maintenance
- \$500,000 per year for IT projects

Here is a long-term look at the City of Walnut Creek's projected General Fund revenues and expenses:



Revenues (General Fund)

The General Fund is often referred to as the City's "checking account" because it is used to pay ongoing expenses. Revenues from taxes can be spent at the Council's discretion. Fees and charges may only be used to recover the cost of providing the related services, such as room rentals, building permits, and classes.

Revenue sources from the 2013-14 budget

- Other taxes: 13%
- Property tax: 23%
- Sales tax: 28%
- Fees, Dept. revenue: 36%

Rising Employee Benefit Costs

Health care: Rising health care costs are a national problem. From 2000 to 2013, the City's premiums for a family Kaiser plan increased 400 percent.

Pensions: Walnut Creek participates in the California Public Retirement System (CalPERS), which has suffered significant losses due to low investment returns and outdated assumptions about life expectancy. Those losses must be covered by participating agencies; Walnut Creek's tab? An additional \$1½ to \$2 million a year.

Good to know:

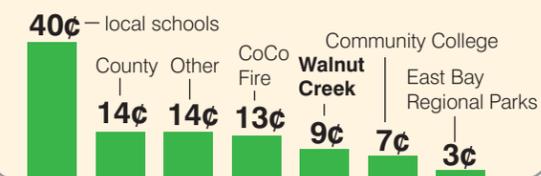
Unlike many public agencies, Walnut Creek does not provide medical insurance after retirement. The average monthly pension for a retired Walnut Creek employee is \$2,869 per month. City employees do not receive Social Security.

Property tax

We can't build our way out of budget deficits:

Walnut Creek receives 9.4 cents per dollar of property tax. Of the average resident's \$3,912 property tax bill, only \$368 goes to the City. A \$100 million project will bring in \$90,400 to Walnut Creek.

Where does your property tax dollar go?



Sales tax

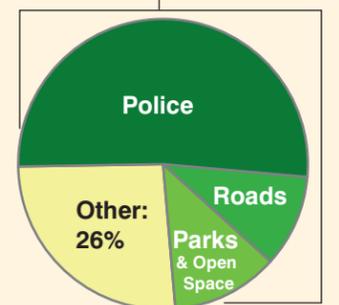
While the total sales tax rate in Walnut Creek is **8.5 cents per dollar**, the City receives a single penny. Bought a \$40,000 car? Walnut Creek will get \$400 in sales tax. **Of that 8.5 cents:**



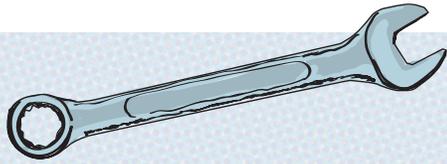
Where your tax dollars go

City Services	Cost paid through tax dollars
Police	\$21.5 million
Road Maintenance	\$4.2 million
City Parks and Open Space	\$4.9 million
Total for these services	\$30.6 million
Total tax dollars used for General Fund	\$41.4 million

74% Percentage of tax dollars dedicated to top 3 priorities



CHALLENGES AND CHOICES:



Tools the Council has...

The City Council must approve a balanced budget by June 30.

As the Council considers budget options in April through June, it has a limited number of tools at hand.

Increase Fees

The City could choose to increase fees, but cannot charge more than the cost of providing the particular service.

In 2006, fees represented 15 percent of the City's General Fund revenue. Today, fees make up 36 percent.

Some services, such as building permits, cover the entire direct cost of the service provided. However, other fees do not recover the entire cost.

One-Time Money

Examples of one-time money include money raised through the sale of City property.

A City Council policy states that one-time money should not be used for operating expenses.

The City will receive up to \$3 million over the next 5 years in one-time money as part of the Broadway Plaza Development Agreement. (In addition, the agreement provides for two 5-year extensions, which would include \$1 million in one-time money at the end of year 10 and year 15.)

Dipping into Reserves

Reserves are the City's savings account.

While most of the City's reserves are restricted, General Fund reserves can be used at the Council's discretion in accordance with approved policies. These include:

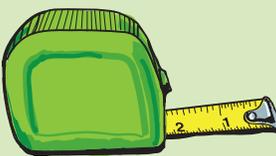
\$10 million in reserves for fiscal and catastrophic emergencies.

\$10.5 million in reserves for legal obligations, pensions, worker's compensation insurance.

Eliminating or Reducing Programs and Services

Eliminating programs is the most direct way to cut expenses. The challenge is where to cut, and how would that impact the quality of life and community expectations in Walnut Creek?

Reducing programs softens the immediate impact on the public, yet services are still rolled back.



Find Other Ways

The Council could choose to find other ways to deliver services, such as contracting out, partnering with community groups or sharing with other agencies the cost and provision of services.

What you can do

Come to one of the "Fiscal Future" presentations offered in March*

*Schedule available on our Budget website

Attend Council meetings or share ideas via Open Town Hall

Check out our online budget FAQs

Stay informed!

Your Budget One-Stop Shop

Whether you want to join our budget e-mail list, get meeting dates, or dig into details about operating expenses, you'll find links and resources on our Budget website.

Check it out at
www.walnut-creek.org/budget