



**M E M O R A N D U M**  
**F i n a n c e   D e p a r t m e n t**

**DATE:** June 9, 2009

**TO:** City Council

**FROM:** Dave Warren,  
Director of Finance

**SUBJECT: PROPOSED REDUCTION TO PART-TIME SALARY SCHEDULE**

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**RECOMMENDATION:**

That the City Council adopt a resolution approving the Community Services Department Part-Time Salary Schedule effective the pay period beginning May 30, 2009, as presented in attachment "A."

**BACKGROUND:**

Due to the fact that the City was grappling with a forecasted \$81,664 General Fund Budget deficit and other line items such as supplies and services could not be cut back any further, the City Council adopted Resolution No. 7677 which reduced the hourly rates for most seasonal part-time positions within the Community Services Department (CSD) by 5%. Based on actual trends as of March 31, 2009, staff now forecasts the Fiscal Year 2008/2009 General Fund Budget deficit to be \$291,425 before reductions in personnel costs. Due to the worsening condition of the General Fund Budget deficit, staff is recommending the hourly rates for most of the seasonal part-time positions be reduced by an additional 5% bringing the aggregate pay cut to 10%. Tonight, staff is recommending the City Council adopt the attached CSD Part-time Salary Schedule that would become effective the pay period beginning May 30, 2009.

**ANALYSIS:**

Staff presented the Mid-Year Budget Report at the regularly scheduled City Council meeting held on February 10, 2009, which concluded that the City was grappling with a forecasted \$235,447 General Fund Budget deficit for the Fiscal Year ending June 30, 2009. Over 76% of the adopted General Fund Budget is personnel costs. It's staff's opinion that non-personnel expenditures cannot be materially minimized any further without negative impacts to the City's current level of service. Shortly after presenting the Mid-Year Budget Report, staff identified an additional \$153,783 in General Fund budget savings including the reallocation of Maintenance Worker costs to the City's enterprise funds, a 50% reduction in work hours for three retired annuitants, and the layoff of one management employee. The \$153,783 in budget savings reduced the forecasted General Fund Budget deficit to \$81,664 which was equivalent to approximately a 5.00% reduction in salary for all positions afforded by the General fund through June 30, 2009. As mentioned above, the hourly rates for seasonal part-time positions within the CSD were reduced by 5% back in March.

Currently staff is forecasting the Fiscal Year 2008/2009 General Fund Budget deficit to be \$291,425 before adjustments to personnel costs. The worsening budget deficit is primarily due to rapid deterioration of the City's revenue streams. Sales Tax revenues represent approximately 45% of total General Fund revenues. The third quarter sales tax return resulted in a year-over-year decline of 12.01% or 8.87% excluding the impacts of the Placerville Ford closure. The State Board of Equalization forecasted sales tax to decline by 7.4% from January to March and 8.7% from April to June 2009. The Mid-Year Budget Report forecast assumed an 8.87% decrease in sales tax revenues for the first and second quarters of 2009. Since then, staff has received the fourth quarter sales tax return which resulted in a year-over-year decline of 16.49%. The latest forecasted General Fund Budget deficit of \$291,425, before adjustments to personnel, assumes a 16.49% reduction in sales tax for the first and second quarter of 2009. Due to the worsening forecasted General Fund Budget deficit, staff is recommending most seasonal part-time positions be reduced by an additional 5% as a way of providing some immediate budget relief. Many local government agencies in the surrounding area are having to implement similar personnel cost saving measures due to budget constraints. For example, El Dorado County has implemented furloughs and layoffs as budget saving measures.

The State minimum wage is currently \$8.00/hour. It's important to note that positions that are less than 5% above the minimum wage level were not reduced or reduced by a percentage less than 5%. This was done in order to avoid schedule "compaction" between certain positions. CSD staff has alerted potentially affected employees late last week about the proposed salary schedule changes.

### **FISCAL IMPACT:**

Due to the fact that the City is having to address a forecasted \$291,425 General Fund Budget deficit in a worsening economic environment and non-personnel expenditures cannot be materially minimized any further without negative impacts to the City's current level of service, it's staff's opinion that part-time hourly rates should be reduced by an additional 5.00% to help provide immediate budget relief to the General Fund. Once the economy improves and the General Fund is in the financial position to reinstate the aggregate 10.00% pay reduction, staff will return to the City Council with a new part-time salary schedule. Tonight, staff respectfully requests the City Council to approve the attached Community Services Department Part-Time Salary Schedule.

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Dave Warren  
Director of Finance

Reviewed and Approved:

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John Driscoll  
City Manager/City Attorney