



City of Charleston
Joseph P. Riley, Jr.
Mayor

MEMORANDUM

DATE: November 24, 2008
TO: Charleston City Council
FROM: Joseph P. Riley, Jr., Mayor
SUBJECT: 2009 City Operating Budget

Tomorrow I will have the opportunity to lay out the 2009 draft budget to you. In my thirty-three years of preparing budgets for Council consideration, this is by far the most difficult one I have had to develop. Looking back, the level of economic change since our Budget Overview on October 1, 2008 has been dramatic. Putting together a budget in these uncertain times has been a tremendous challenge.

Attached is a memorandum I have sent to each department head today. The memorandum discusses many of the key issues involved in our budget development. I think the information in it will help you as you hear the presentation tomorrow and as you get the chance to review the draft budget over the next two weeks.

I would like to provide you with a few additional comments:

- There will be no increases in property taxes, business licenses rates, permit fees, etc. in the 2009 draft budget. We will present a budget that relies instead on a portion of our fund balance reserves. I would certainly prefer not to do this, but increasing taxes at this tough time for all of our citizens and businesses is off the table this year.
- Because our budget is balanced using fund balance reserves, many tough cost reductions have been made. We feel our budget numbers are conservative, but if the economy continues to worsen, additional cuts may be necessary as we progress through 2009.
- It is precisely at these financially challenging times that the city must sharpen its focus in key areas such as business development and sustainability. Tomorrow's presentation will provide information on how the 2009 budget is designed to place emphasis in these key areas.

I look forward to presenting you the draft budget tomorrow and exchanging thoughts with you in the next two weeks, prior to the first reading on the budget ordinance on December 9th.

Attachment



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MEMORANDUM

DATE: November 24, 2008
TO: City Department Heads & Special Assistants
FROM: Joseph P. Riley, Jr., Mayor
SUBJECT: 2009 City Operating Budget

All of you should have received your 2009 draft budgets at this point. Undoubtedly, these budgets provide you with less than you would like to spend within your department. Let me give you some background information. The City-wide 2009 budget will reflect a projected revenue decrease of 1.0% excluding the use of fund balance reserves. Overall spending is increased in the budget by only 0.49%. Without a \$1,038,000 increase in healthcare costs, expenditures would have decreased. To balance the overall budget, the City is planning to use a portion of our undesignated fund balance reserves in 2009.

With the 2009 budget requiring the use of a portion of our fund balance reserves equal to 1.5% of our overall revenues, I would like to make several key points here:

- The City cannot spend any more than what we have budgeted without further increasing the use of fund balance, which we will not do.
- Our revenue projections are conservative and they represent our best estimates at this time. Our financial team will monitor early revenue trends in 2009. If economic conditions worsen and revenues do not meet projections, additional cuts will be required.
- Present calculations show 2010 will also be a very tough year. We believe certain key revenues will continue to be weak in 2010. Additionally, the City must carefully weigh the use of fund balance as part of its revenue structure each year. Consequently, fiscal belt tightening will definitely continue into 2010.

As this budget evolved, we have had to make many tough decisions. Although we would have liked to have offered a much higher cost of living increase, the 2009 budget contains a 2% increase for our lowest level employees. This increase declines in increments at each \$1,000 salary break point ending at a 0% increase for salaries of \$60,000 and above. As the result of separate pay plans, all police officers and firefighters will receive a flat 1.5% increase with the exception of the two department heads which will be subject to the sliding percentage scale above. The 1.5% flat rate was chosen for these two groups as it represents the point at which a newly hired firefighter's salary would fall on the 2% to 0% sliding scale described above.

The 2009 City budget contains a 60% cut in travel and training and memberships and publications in all departments. I know these cuts will be difficult to absorb, but they are necessary. These cuts were not made without a great deal of deliberation. I expect to exercise leadership in this area and will ask City Council to do likewise.

I ask for your active support in helping to guide your departments through these difficult times. You absolutely must live within your spending limits. Those who have overruns will have to sustain further cuts within their respective departments.

On a positive note, during these extremely tough financial times, the City is committed to maintaining its dedicated workforce and funding sufficient dollars to allow our missions to be accomplished. I expect each of you to personally execute and lead others in continuing to achieve our service expectations, especially now.

- Respect Others
- Be Knowledgeable
- Own the Moment
- Personalize Your Service
- Be Ambassadors of our City
- Be Responsive

Thank you and your employees for all you do collectively for our great City.