



December 11, 2008

TO: Department Heads
FROM: Nani Coloretti
RE: FY10 Budget Instructions

The Mayor's Budget Office projects a \$575.6 million shortfall for FY 2009-2010, assuming current spending levels and estimated revenue shortfalls. However, we are also projecting that the Mayor's announced mid-year cuts will offset this shortfall by approximately \$115 million, if they are implemented as proposed. Thank you to all who contributed ongoing ideas to close this year's shortfall and help bring down next year's deficit. Given revenue uncertainty and the mid-year adjustments, we estimate the FY2010 shortfall to be more than \$460 million.

The following table shows contributing factors to the shortfall, which is a result of negative sources and uses:

GENERAL FUND SOURCES AND USES (\$ in millions)	
	<u>FY10</u>
Net Loss of One-Time Sources	(77.4)
Revenues Less Than FY09 Budget (Pessimistic Scenario)	<u>(188.4)</u>
<i>Sources Subtotal</i>	(265.8)
Operating Costs	(230.8)
Voter-Approved Baselines	<u>(7.0)</u>
<i>Uses Subtotal</i>	(237.8)
Estimated State Cuts	(72.0)
Projected Shortfall	(575.6)
Estimated FY10 Savings From FY09 Mid-Year Reductions	<u>115.2</u>
Projected Shortfall with Mid-Year Reductions	(460.4)

As you know, it is better to plan for and implement reductions over a 15-month period. As such, we are asking for a significant base budget reduction that departments can meet by proposing mid-year and budget-year solutions.

FY10 Budget Instructions

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- **Instruction #1: Propose a budget with a 12.5% base budget reduction.** This reduction is calculated after adjusting for salary and fringe changes in your base budget. Departments should continue to work with the Mayor's Budget Office on solutions to meet this target.
- **Instruction #2: Coordinate any Mid-Year Cuts with the Mayor's Budget Office.** We are looking for your best ideas as soon as possible, so that we can implement solutions within the current year to maximize the benefit. Departments that propose mid-year cuts will get "credit" towards their target. Moreover, should your mid-year cut include layoffs, we need your savings plan in early February, in order to implement a layoff notice date of February 27th (for a May 1st layoff). Discuss your solutions with your Mayor's Budget Analyst.
- **Instruction #3: Provide an additional 12.5% contingency.** We are asking for an additional 12.5% base budget reduction as a contingency against any state cuts or a lack of any wage concessions from labor unions. In total, General Fund departments will be proposing a 25% base budget reduction plan to the Mayor's Budget Office with proposals submitted on and before February 20th.

Proposed Timeline:

- December 11, 2008 (Thurs.) – Mayor's Budget Instructions Released
- December 12, 2008 (Fri.) – First Round Layoff Notices Issued
- February 20, 2009 (Fri.) – First Round Layoffs To Take Effect
- February 20, 2009 (Fri.) – Department Budget Submission Due to Controller's office
- February 27, 2009 (Fri.) – Second Round Layoff Notices Issued
- May 1, 2009 (Fri.) – Second Round Layoffs To Take Effect
- June 1, 2009 (Mon.) – Mayor Releases Proposed FY10 Budget

General Guidance

As the Mayor mentioned to Department Heads yesterday, this is a large and unprecedented shortfall. We are looking for ideas that think creatively across systems in order to serve the city as best as possible. In particular, we are asking that you continue to seek and prioritize solutions such as:

- Administrative efficiencies
- Consolidation of programs and functions
- Restructuring service delivery
- Revenue options

Should legislative changes be required, please inform us as early as possible so that we can help you craft language and propose legislation early in the process.

As we mentioned yesterday, the Department of Human Resources will provide assistance, retraining opportunities and other placement services to those who will receive layoff notices.

Please contact your Mayor's Budget Analyst for your department's specific target reduction.