

City of Chico

*FY09-10 Budget
Assumptions*

*Finance Committee
Meeting*

April 23, 2009

Introduction

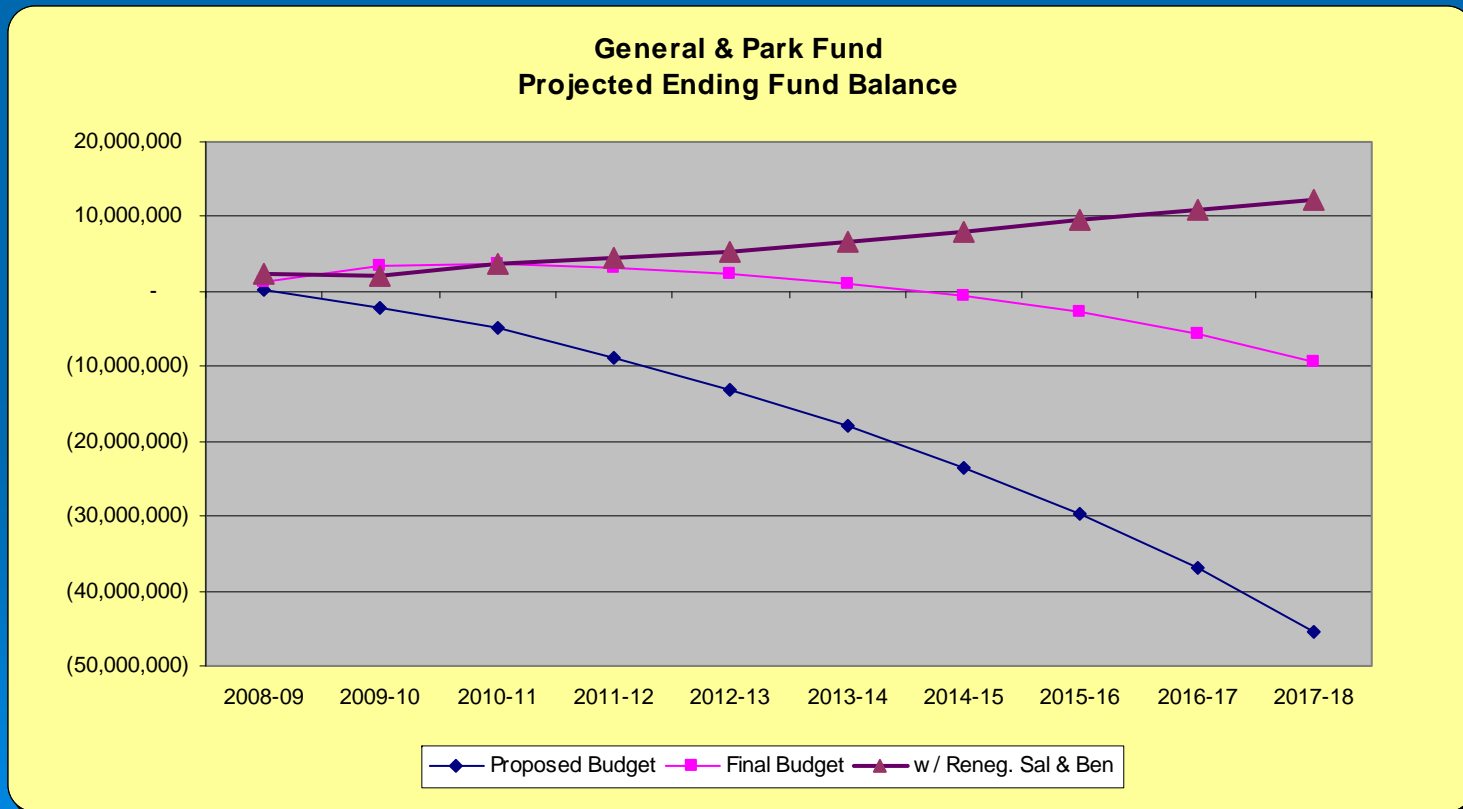
- Status of Budget Reduction Strategy
- Impact of Economic Downturn
- FY09-10 Gen/Park Revenue Assumptions
- FY09-10 Budget Balancing Strategy

Status of Budget Reduction Strategy

- Re-negotiated all employee group contracts
 - Citywide savings totals ~\$2.9 million/year
 - Will exceed targeted savings by ~\$480k/year
- Operating reductions achieved to date
 - \$1.9 million annual savings from reduction of positions
 - \$443k annual savings from reduced non-salary operating expenditures
- **Total Citywide Savings = ~\$5.2 million/year**

Status of Budget Reduction Strategy

➤ Deficit Reduction Strategy results:



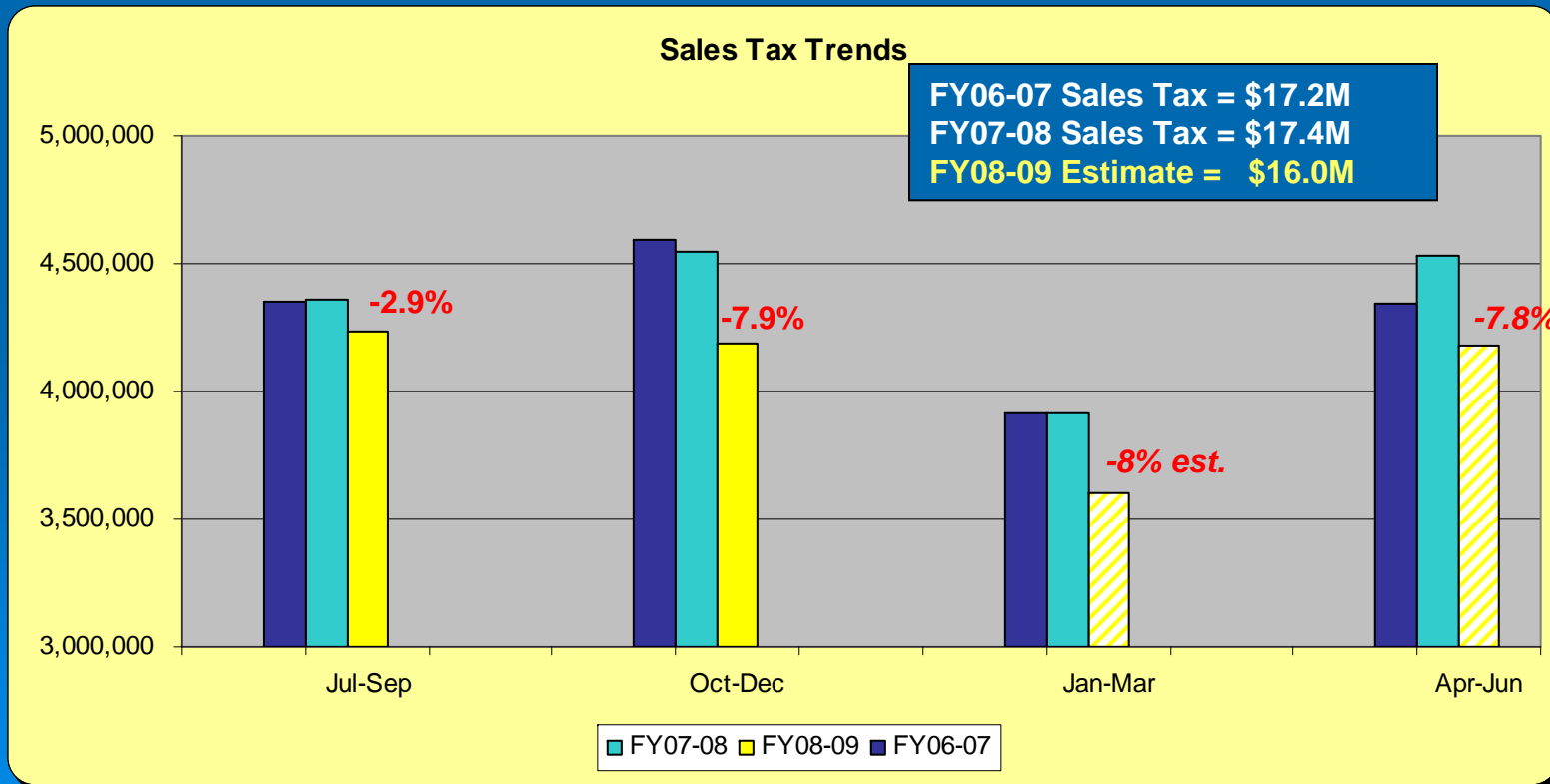
Impact of Economic Downturn

Impact of Economic Downturn

- All major tax revenues have been impacted by the economic recession.
 - ~90% of Gen/Park Revenue comes from taxes
- The Budget Reduction Strategy will help the City absorb a portion of the impact of declining revenues.

Sales Tax (42% of Gen/Park Revenue)

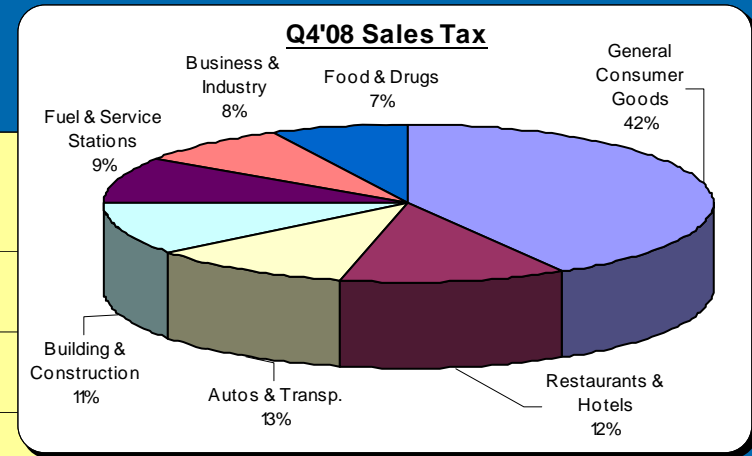
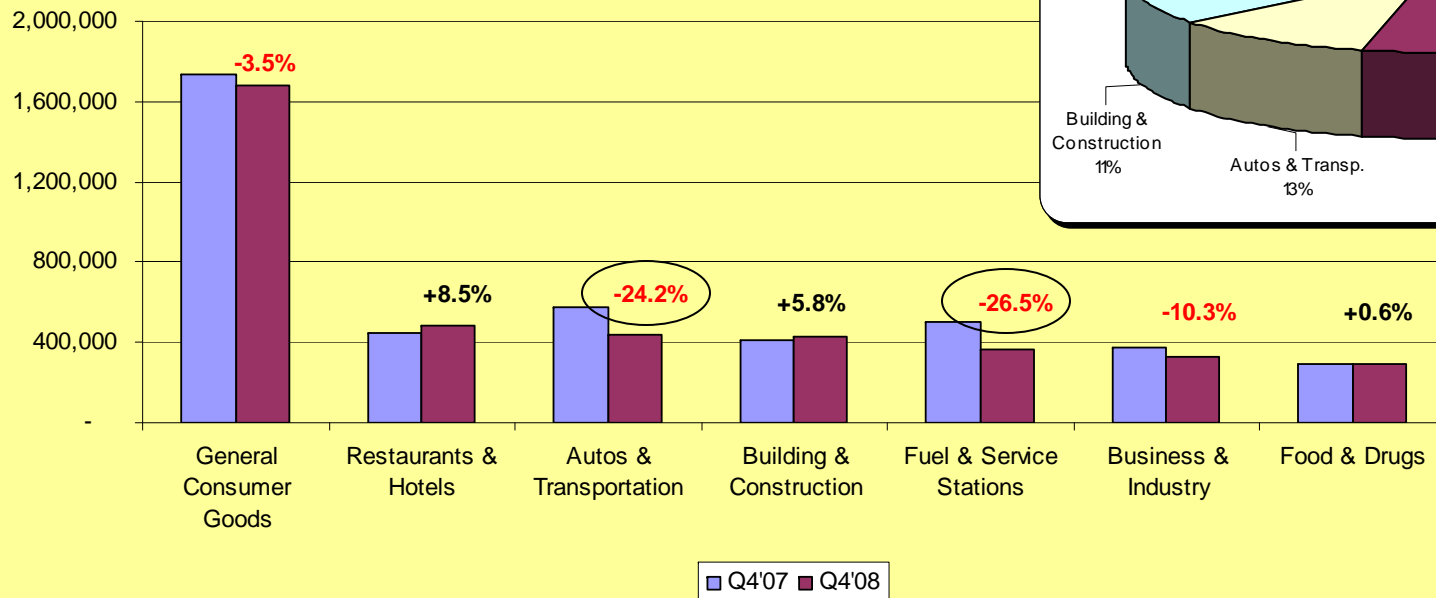
- Year-to-Date Sales Tax revenue is 5.5% lower than previous fiscal year. FY08-09 Sales Tax is projected to be 6.6% below 07-08.
- The State experienced a 10.7% decline in Sales Tax for the 4th Quarter and are projecting a declines of 7.4% and 8.7% for Q1'09 and Q2'09, respectively.



Sales Tax (42% of Gen/Park Revenue)

- Weak Fuel & Auto sales contributed to the large 7.9% decline in Q4 Sales Tax compared to 2007.
- Fuel prices have increased recently, but are still ~30% below 2007 levels.

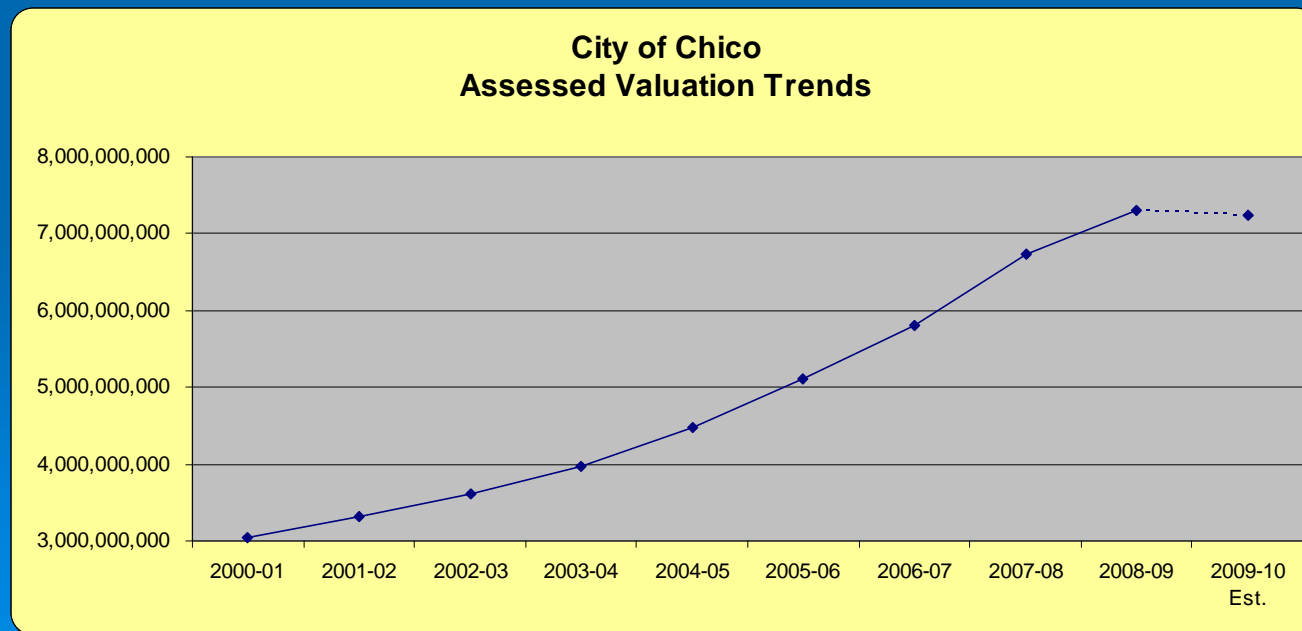
4th Quarter Sales Tax Comparison



Property Tax & In Lieu of VLF

(25% of Gen/Park Revenue)

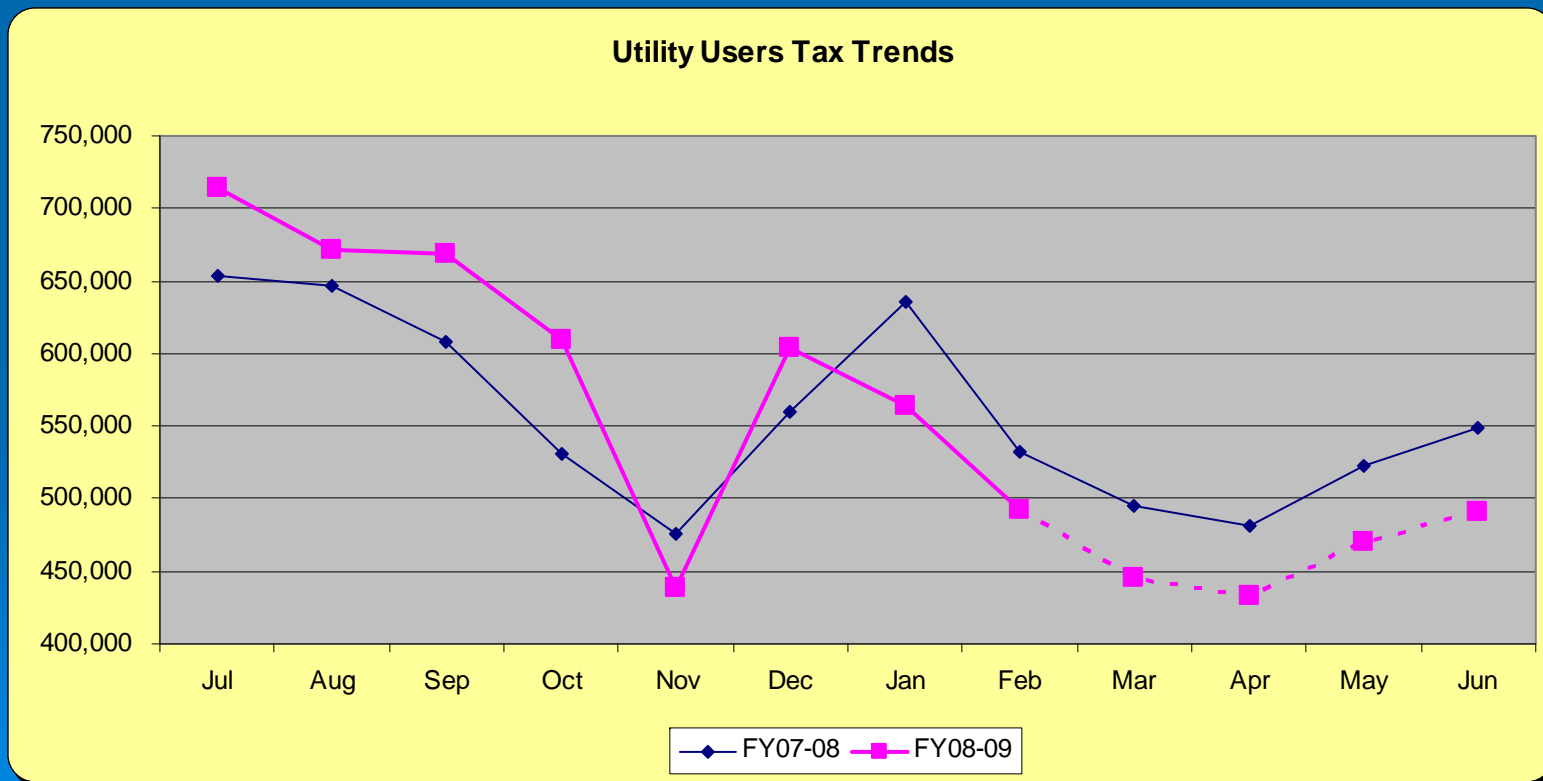
- 2009 Assessed Valuation (AV) is 8.7% higher than 2008
 - Property Tax revenue is 1% of AV
 - Property Tax in Lieu of VLF revenue is based on growth in AV
- 2010 Assessed Valuation is expected to decrease by 0.5%-1.0% (per County Assessor's Office) due to AV re-valuations



***It is estimated
that it will take
5-7 years
before
Assessed
Values are
restored to
2008 levels.***

Utility Users' Tax (16% of Gen/Park Revenue)

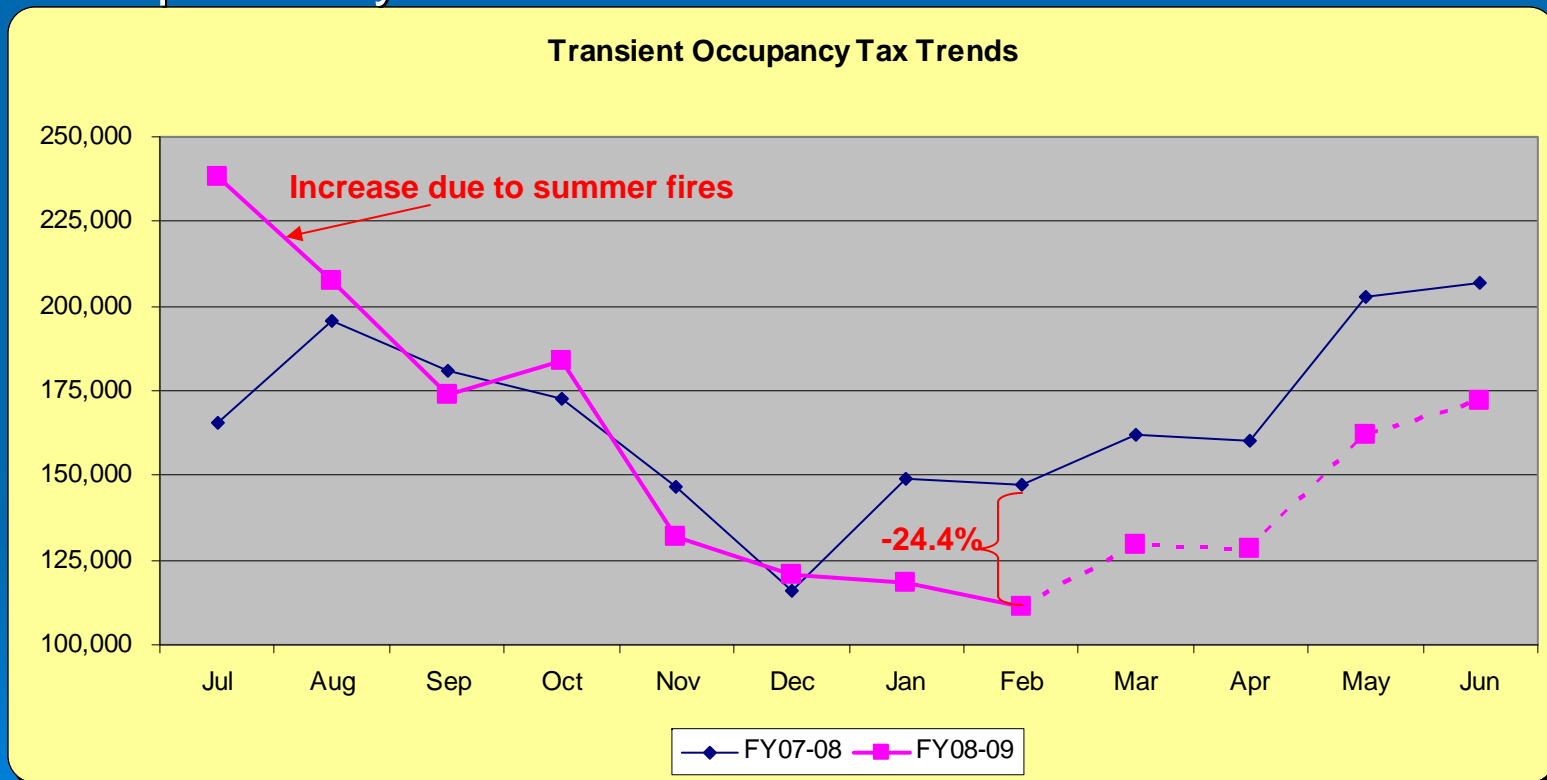
- January experienced a decline of 11.3% and February declined 7.4% from the same month in the prior year due to lower usage.
- Year-to-Date UUT is 2.6% higher than previous fiscal year.



Transient Occupancy Tax

(5% of Gen/Park Revenue)

- January & February both saw declines in excess of 20% compared to the previous year.



- Statewide TOT experienced an 18% drop in January with February projected to have the same levels of decline over the prior year.

Total Gen/Park Revenue

- Year-to-Date General & Park Fund Revenue is -\$2.2M lower than this time last fiscal year.

	FY08-09 Adopted Budget	FY08-09 Mid-Year Update	Mid-Year Adjustment
Sales Tax	18,087,700	16,347,700	(1,740,000)
Property Tax	4,671,264	4,839,443	168,179
Property Tax In Lieu of VLF	6,070,700	6,608,184	537,484
Utility Users Tax	6,896,100	6,602,900	(293,200)
Transient Occupancy Tax	2,009,000	1,877,000	(132,000)
<u>Other Taxes</u>	<u>1,889,500</u>	<u>1,863,979</u>	<u>(25,521)</u>
Total Tax Revenue	39,624,264	38,139,206	(1,485,058)
Licenses and Permits	85,800	91,230	5,430
Motor Vehicle In Lieu (VLF)	971,200	750,000	(221,200)
From Other Agencies	616,200	1,483,902	867,702
Charge for Current Services	199,100	242,805	43,705
Fines and Forfeitures	897,800	782,200	(115,600)
Use of Money and Property	420,582	312,418	(108,164)
<u>Other Revenues</u>	<u>183,100</u>	<u>335,980</u>	<u>152,880</u>
Total Other Revenues	3,373,782	3,998,535	624,753
Total Gen/Park Revenue	42,998,046	42,137,741	(860,305)

Q3 Supplemental
Adjustment

- Due to the drastic decline in tax revenues over the past few months, Gen/Park Revenue will likely fall short of the Adopted Budget.

Gen/Park Expenditures

- With the success of the Deficit Reduction Strategy, combined with unanticipated Police vacancies, Operating Expenditures will come in under budget and help absorb the loss in revenue.

	Council Adopted 2008-09	Adjusted * 2008-09	Supplemental Appropriation Adjustments
TOTAL REVENUES	42,998,046	42,137,741	(860,305)
Total Operating Expenditures	49,966,152	49,316,329	(649,823)
<u>Capital Improvement Projects</u>	<u>158,557</u>	<u>393,695</u>	<u>235,138</u>
TOTAL EXPENDITURES	50,124,709	49,710,024	(414,685)
Transfers In (Out)	5,709,625	5,486,983	(222,642)
IMPACT TO FUND BALANCE	(1,417,038)	(2,085,300)	(668,262)
BEGINNING FUND BALANCE	2,835,668	4,746,890	1,911,222
ENDING FUND BALANCE	1,418,630	2,661,590	1,242,960

** Adjusted budget is subject to change as the FY09-10 Annual Budget is finalized over the next few weeks.*

FY09-10 Revenue Assumptions

Gen/Park Revenue Assumptions

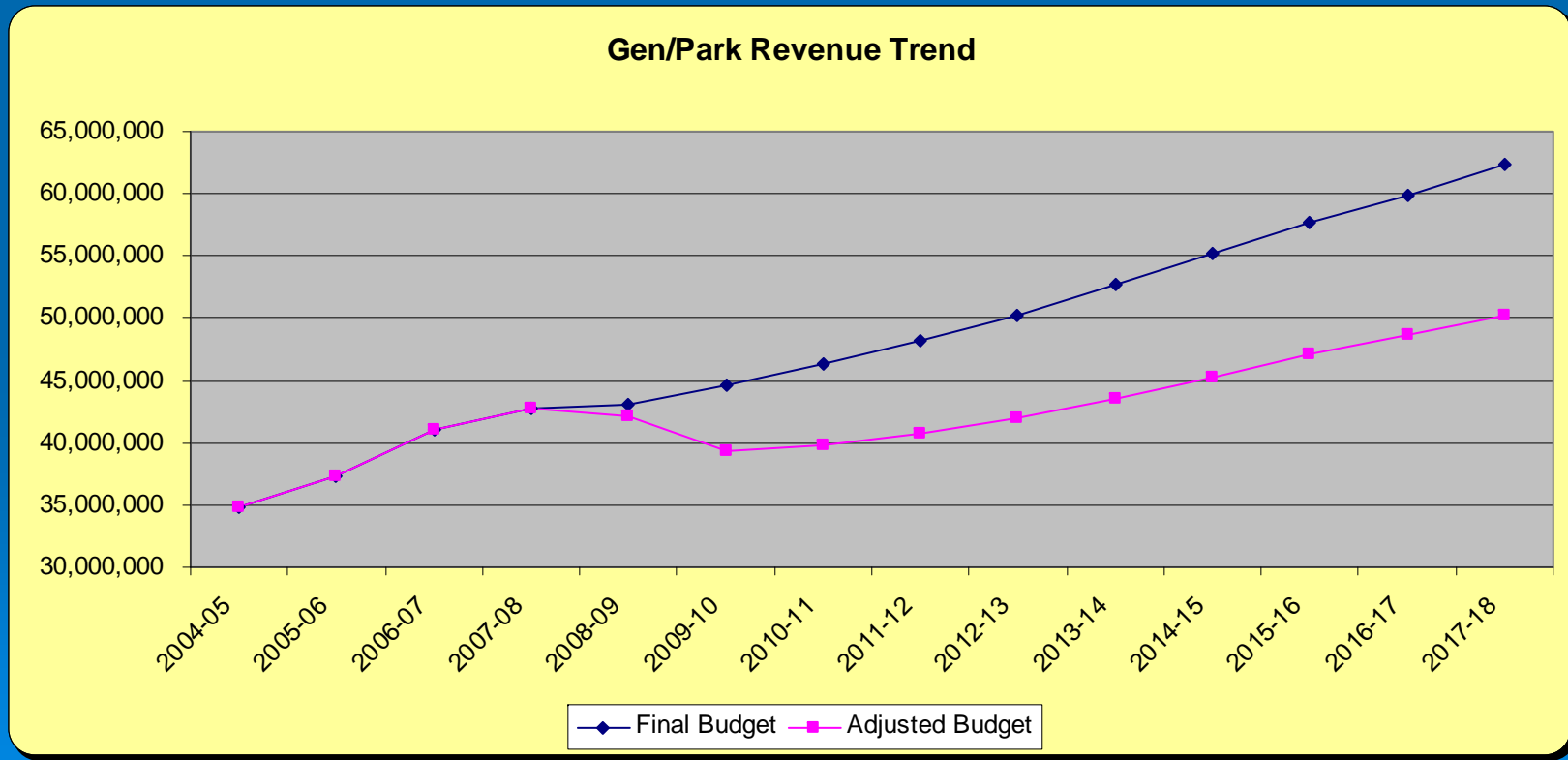
- FY09-10 Budget will be built with the following revenue assumptions:

• Sales Tax	-8.0%
• Property Tax	-2.5%
• UUT (gas & electric only)	-5.0%
• TOT	-15.0%
• <u>Other Revenue</u>	<u>-12.5%</u>
• Total Gen/Park Revenue	-6.5%

- Recession is expected to continue for 2 more fiscal years, with modest growth beyond 2 years

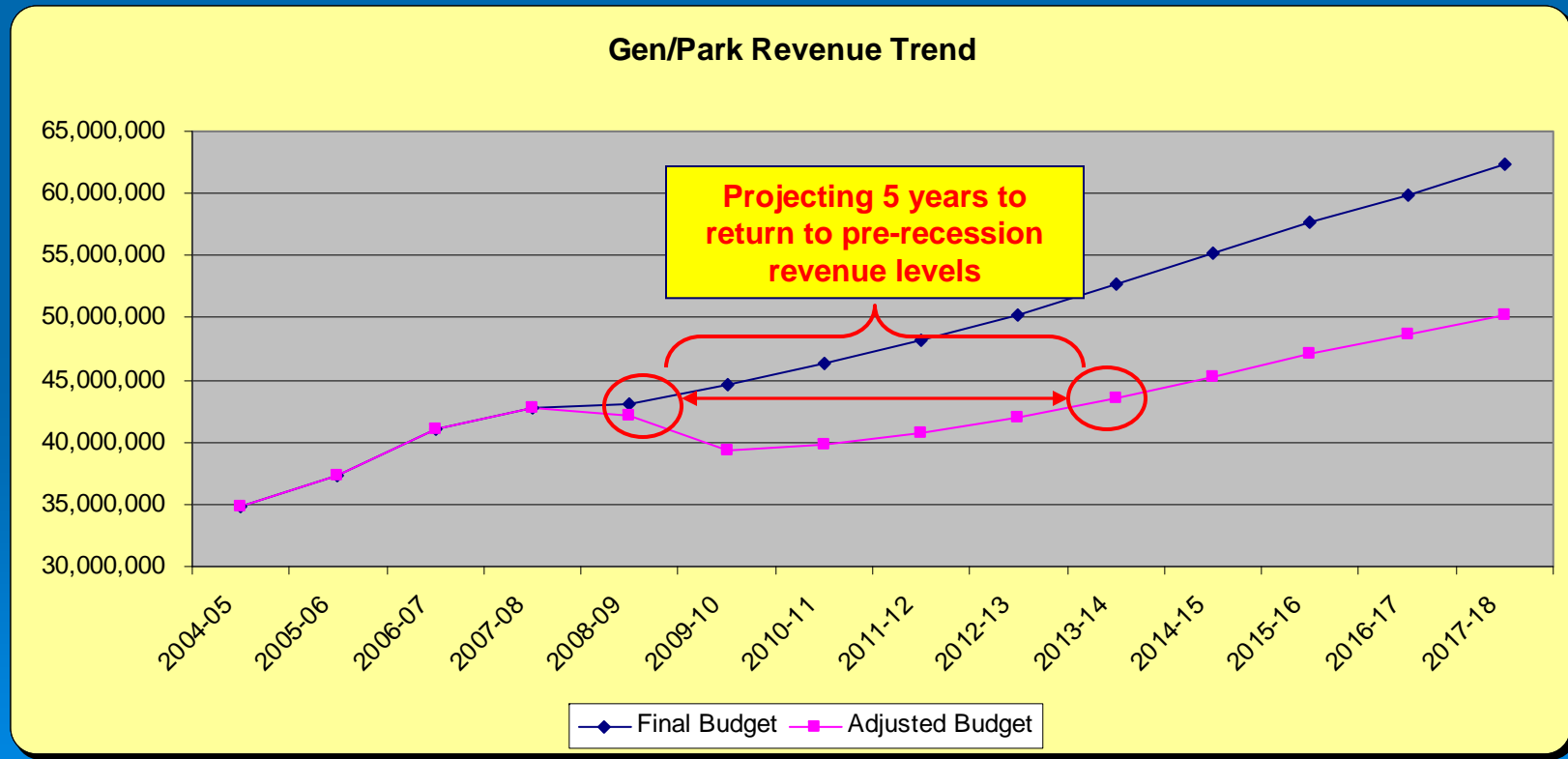
Gen/Park Revenue Assumptions

- Updated Revenue projections yield a lower revenue base for the next 10 years



Gen/Park Revenue Assumptions

- Updated Revenue projections yield a lower revenue base for the next 10 years



Budget Balancing Strategy

Budget Balancing Strategy

- With a 6.5% decline in revenue, the FY09-10 funding gap = ~\$2.9 million.
- Although this funding gap is “temporary” due to the economic downturn (lower revenues), it has decreased our revenue base.
 - Expenditure base must decrease to help fill gap
 - Multi-year approach
 - Operating and/or Capital expenditure reductions
 - Continuation of Hiring Suspension
 - Gap will also be filled with “one-time” revenue/transfers
 - Gas Tax and/or Transportation Fund Transfers
 - Delayed purchases of new equipment/vehicles
 - Delayed funding of Replacement Funds
 - Emergency Reserve Funds

Contingency Plan

- In the event total revenue declines by more than 6.5%, a contingency plan is being developed to achieve a balanced budget.
- A 10% decline in revenue creates a funding gap of ~\$4.4 million, which could be offset by:
 - Further delays in funding Replacement Funds
 - Mandatory Furloughs (reduced work-week)
 - Cuts in service delivery
 - Reduction in force (layoffs) – the last resort!

What's Next?

- Finalize FY09-10 Annual Budget
 - Balance General & Park Funds
 - Propose plan to balance Private Development and Development Impact Fee Funds
 - Develop 10-Year Projections for all Funds
 - Develop 10-Year Capital Improvement Program

- Present Budget to Council on June 16th

Questions?