

FY 08-09
3rd Quarter
Financial Update

City of Chico

City Council Meeting
May 19, 2009

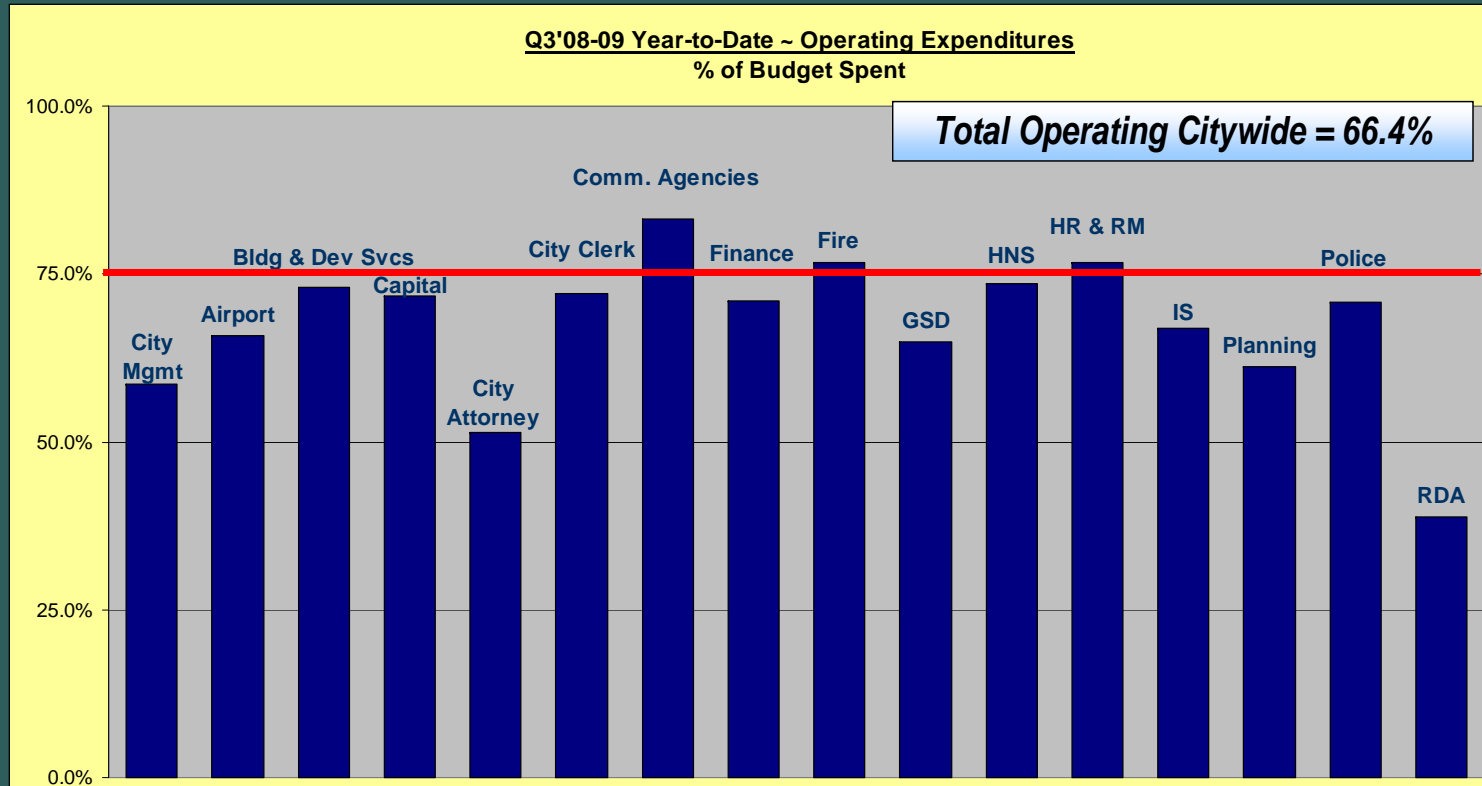
Introduction

- Status of Budget Reduction Strategy
 - Citywide Expenditures through 3/31/09
 - General Fund Expenditure Trends
- Impact of Economic Downturn
- Q3'08-09 Supplemental Appropriation

Status of Budget Reduction Strategy

Status of Budget Reduction Strategy

- Citywide expenditures through 3/31/09

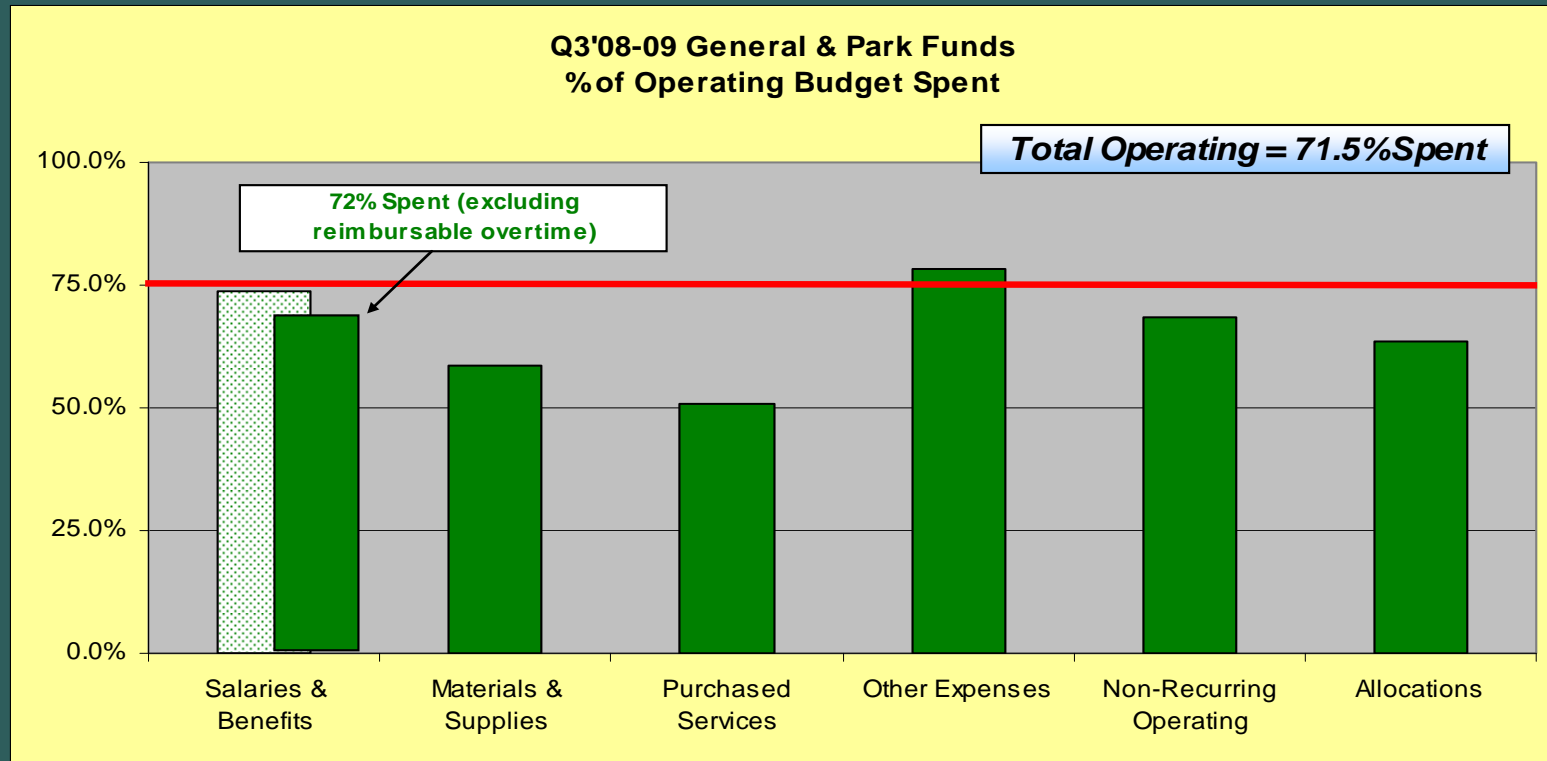


Status of Budget Reduction Strategy

- Citywide expenditures are trending below budget
 - 66.4% of the budget spent and 75% of the year spent.
 - Trend is due to the following
 - *timing of RDA pass-throughs (large year-end payments)*
 - *unanticipated vacancies in the Police Department*
 - *lower spending on litigation in City Attorney's Office*

Status of Budget Reduction Strategy

- General/Park Fund Expenditures



Status of Budget Reduction Strategy

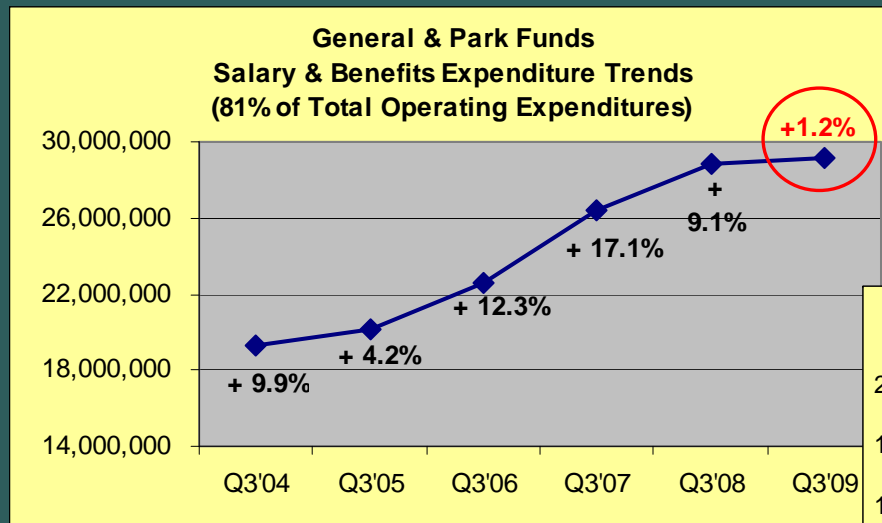
- General/Park Fund Expenditures
 - Salaries & Benefits - 3% under budget due to vacant positions *(after adjusting for reimbursable overtime)*
 - Materials & Supplies - lower expenditures on Fuel and Electric costs
 - Purchased Services - lower litigation expenditures
 - Other Expenses are temporarily over the 75% mark due to Community Agency funding that will be reimbursed by the Community Development Block Grant Fund at year-end.

Status of Budget Reduction Strategy

- Q3'08-09 Supplemental Appropriation
 - **Includes the following adjustments:**
 - -\$165k reduction for litigation expenses
 - -\$918k reduction for vacancies and lower spending trends in electric and fuel
 - **Will reduce base cost and help offset declines in General Fund revenue**

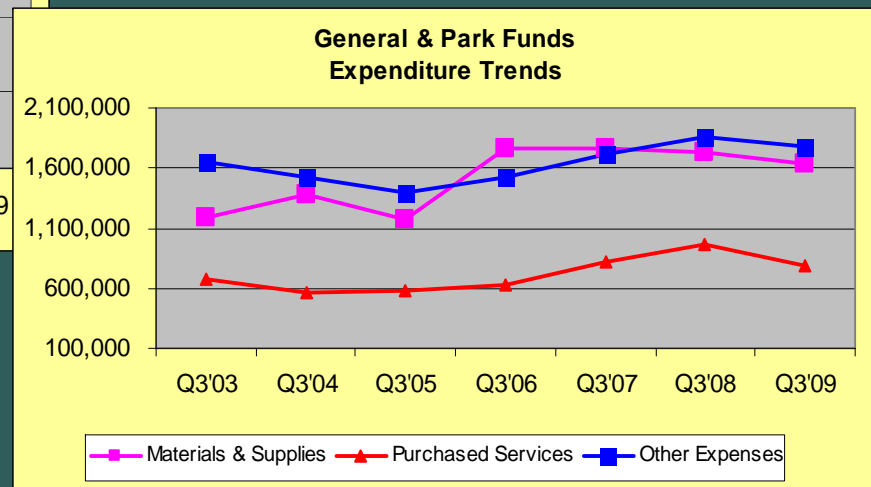
Status of Budget Reduction Strategy

- General/Park Fund Expenditure Trends



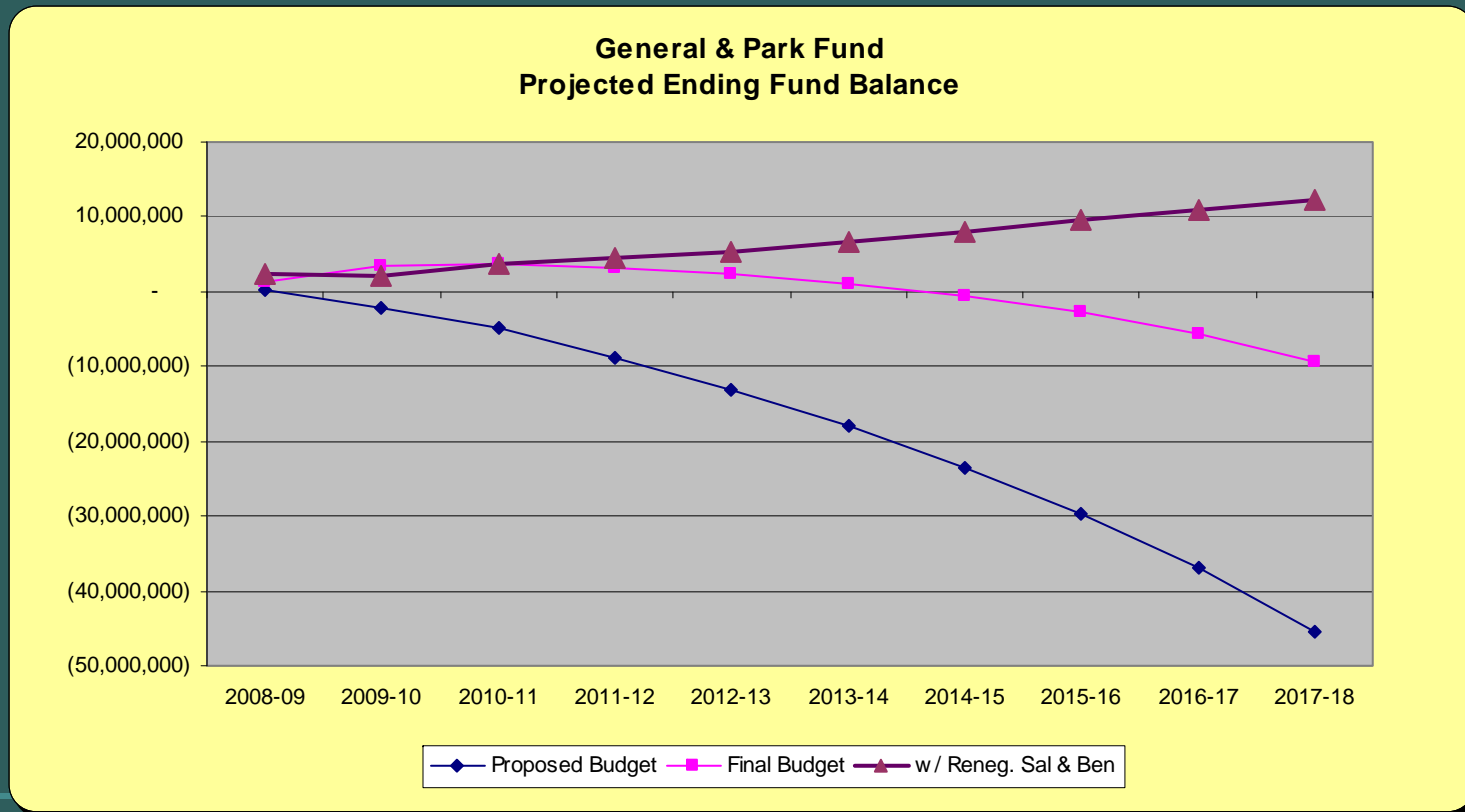
Compared to prior years, growth in Salary & Benefits costs have substantially declined.

All non-salary expenditure categories show a decline compared to prior year.



Results of Deficit Reduction Strategy

Renegotiations of all 8 employee contracts would have erased 10-year deficit, assuming prior revenue levels.



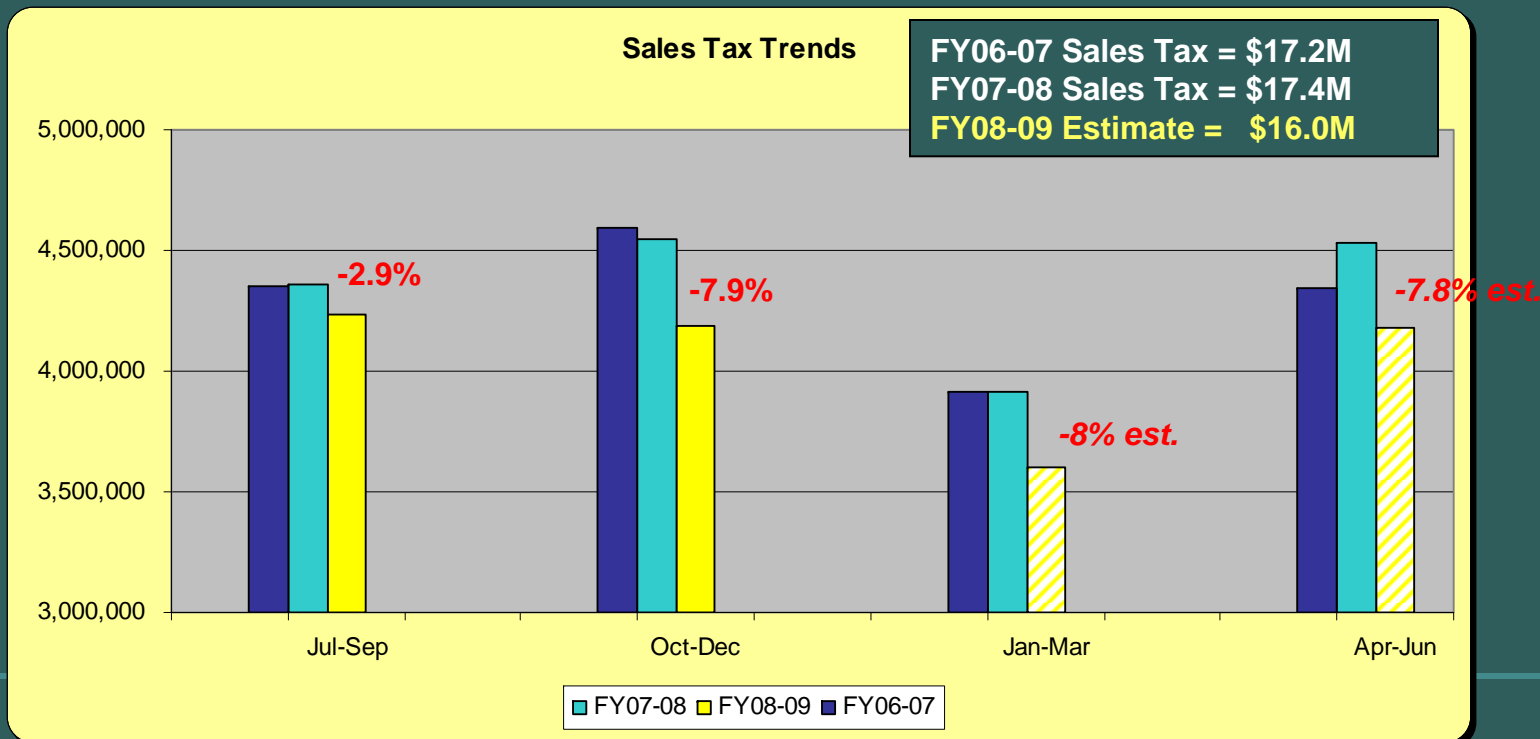
Impact of Economic Downturn

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)

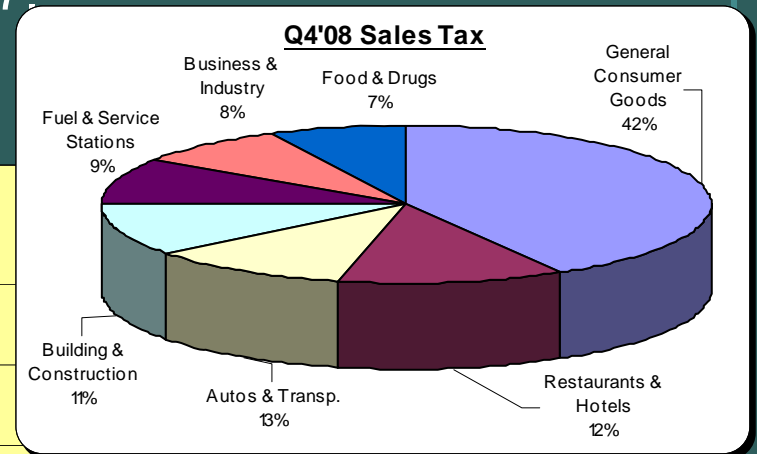
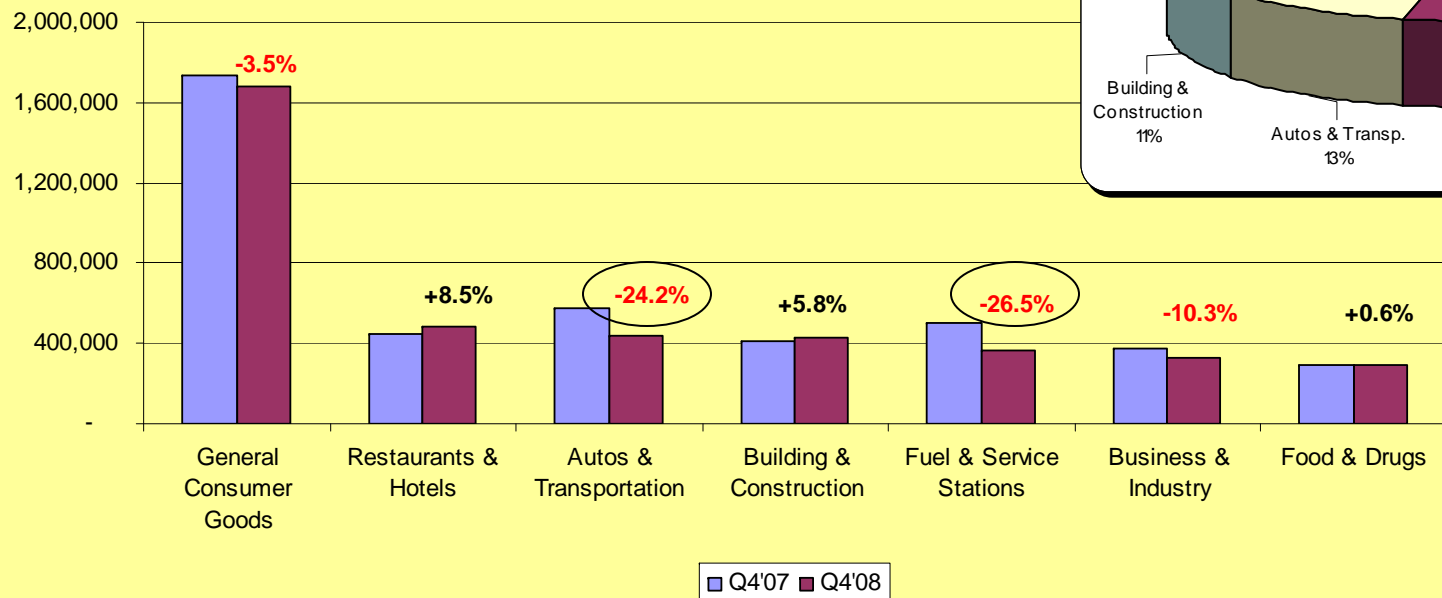
- Year-to-Date Sales Tax revenue is 5.5% lower than previous fiscal year. FY08-09 Sales Tax is projected to be 6.6% below 07-08.
- The State experienced a 10.7% decline in Sales Tax for the 4th Quarter and are projecting a declines of 7.4% and 8.7% for Q1'09 and Q2'09, respectively.



Sales Tax (42% of Gen/Park Revenue)

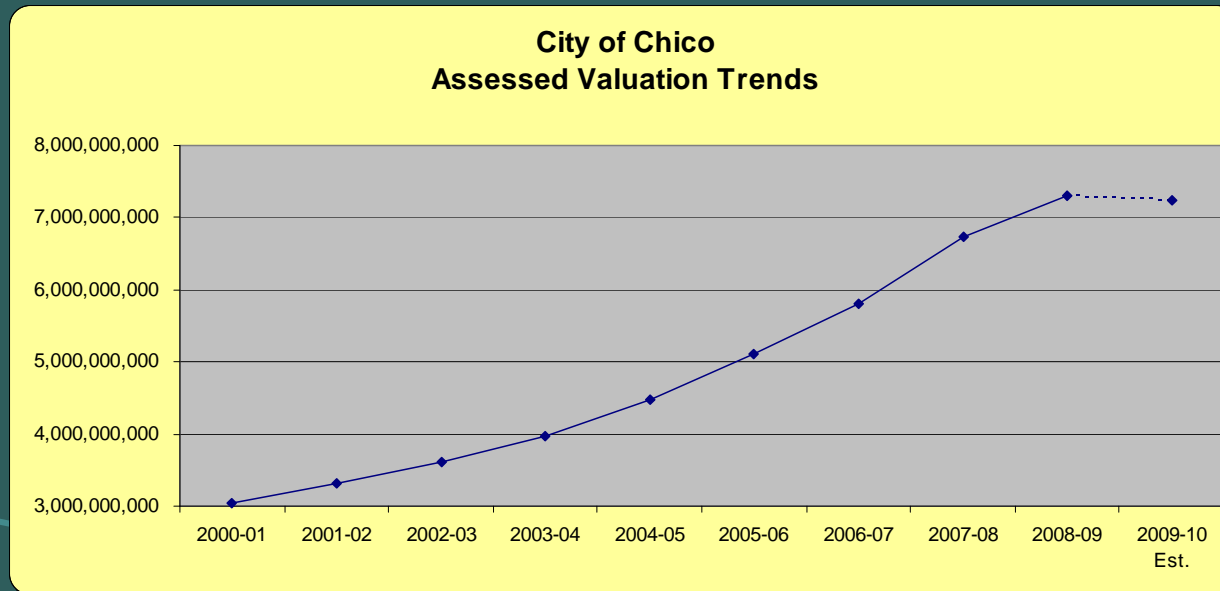
- Weak Fuel & Auto sales contributed to the large 7.9% decline in Q4 Sales Tax compared to 2007
- Fuel prices have increased recently, but are still ~30% below 2007 levels.

4th Quarter Sales Tax Comparison



Property Tax & In Lieu of VLF (25% of Gen/Park Revenue)

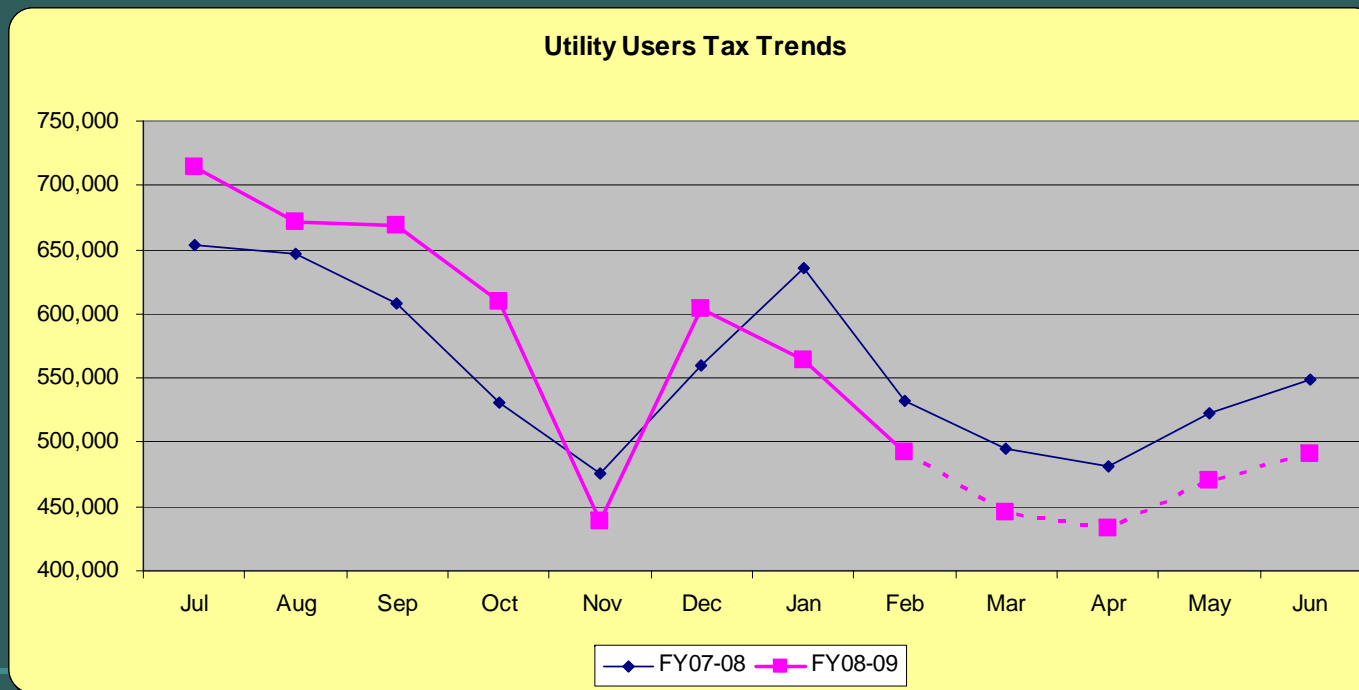
- 2009 Assessed Valuation (AV) is 8.7% higher than 2008
 - Property Tax revenue is 1% of AV
 - Property Tax in Lieu of VLF revenue is based on growth in AV
- 2010 Assessed Valuation is expected to decrease by 0.5%-1.0% (per County Assessor's Office) due to AV re-valuations



***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)

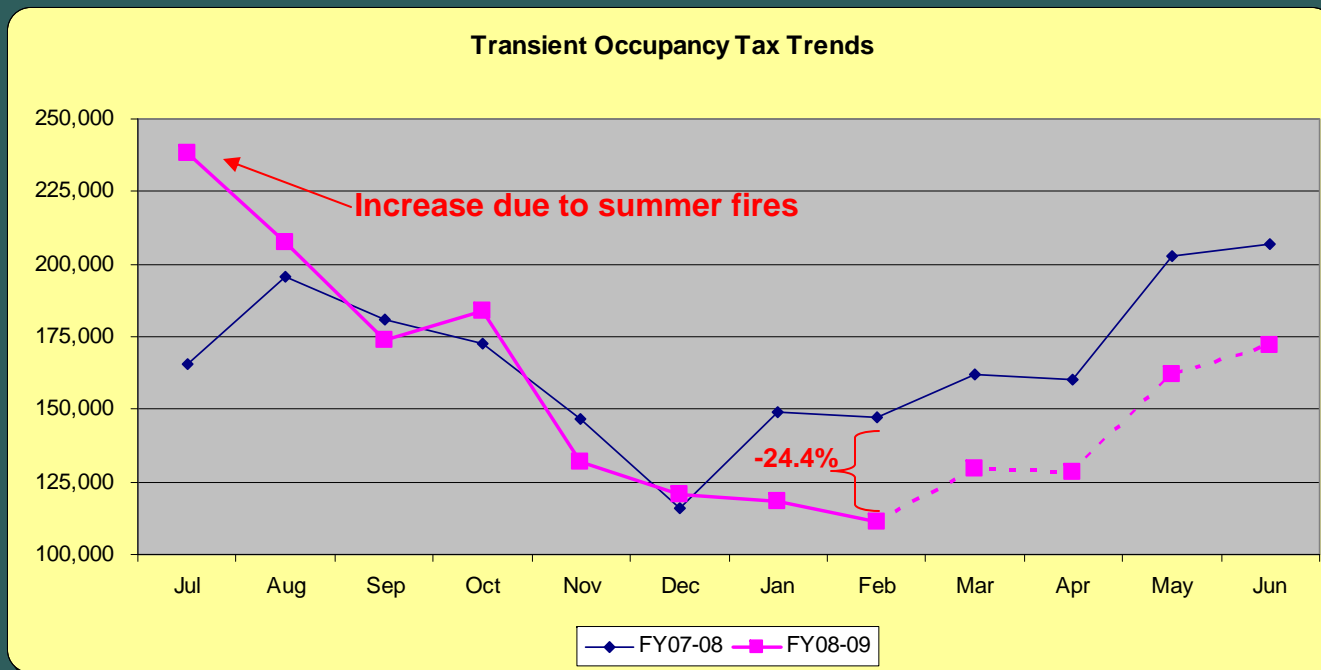
- January experienced a decline of 11.3% and February declined 7.4% from the same month in the prior year due to lower usage.
- Year-to-Date UUT is 2.6% higher than previous fiscal year.



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.

Q3' 08-09
Supplemental
Appropriation

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 fall short of the Adopted Budget.

Gen/Park Fund Q3 Adjustments

- 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.

| <u>FY2008-09</u> | Council Adopted Budget | Modified Adopted (as of Q2) | Q3'08-09 Supplemental Appropriation | Modified Adopted (as of Q3) |
|-------------------------------------|---------------------------------------|--|--|--|
| TOTAL REVENUES | 42,998,046 | 42,998,046 | (860,305) | 42,137,741 |
| Total Operating Expenditures | 49,966,152 | 50,380,657 | (1,069,702) | 49,310,955 |
| <u>Capital Improvement Projects</u> | <u>158,557</u> | <u>379,138</u> | <u>0</u> | <u>379,138</u> |
| TOTAL EXPENDITURES | 50,124,709 | 50,759,795 | (1,069,702) | 49,690,093 |
| Transfers In (Out) | 5,709,625 | 5,709,625 | (222,642) | 5,486,983 |
| IMPACT TO FUND BALANCE | (1,417,038) | (2,052,124) | (13,245) | (2,065,369) |
| BEGINNING FUND BALANCE | 2,835,668 | 4,746,890 | | 4,746,890 |
| ENDING FUND BALANCE | 1,418,630 | 2,694,766 | | 2,681,521 |

Other Q3 Revenue Adjustments

- Due to the Economic Downturn, several other revenue sources have declined dramatically
 - -\$3.3 million in Development-Related Revenue (43% decline)
 - Development Impact Fee Funds, Private Development & Subdivisions
 - -\$789k in Transportation-Related Revenue (12% decline)
 - Gas Tax Fund, Transportation Fund
 - -\$38k in State COPS Grant Revenue (38% decline)
- Redevelopment favorably impacted
 - +\$1.0 million in Tax Increment Revenue (due to Assessed Values)
 - +\$1.9 million in removal of ERAF payment (due to outcome of California Redevelopment Assoc. lawsuit)

FY09-10 Proposed Budget

- The FY09-10 Proposed Budget will be provided to Council on May 26th.
- General Fund Revenue is projected to decline by 6.5%
- To balance the General Fund, the Proposed Budget will include:
 - Further reductions to Operating Departments
 - Delayed funding of Replacement Funds
 - Continuation of Hiring Suspension
 - Increased transfers from Transportation & Gas Tax Funds
 - Delays in major purchases

Any Questions?