

# FY 2008 & FY 2009 Budgets October Update



FY 2008 and FY 2009 Budgets: October 21, 2008 Update

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# Overview

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- Update on year-end FY 2008
- Update on FY 2009
  - Revenue shortfall
  - Expenditure increases

*Note: Consent Agenda has recommended action on outside services contracts & authorizing the City Manger to implement expenditure reductions for FY 2009*



## Reduced revenue trend began in FY 2008

- FY 2008 General Purpose Fund (GPF) revenue approximately \$18 million less than projected
- Significant losses in local sales tax & state-shared sales tax



# Budget Management Measures in FY 2008

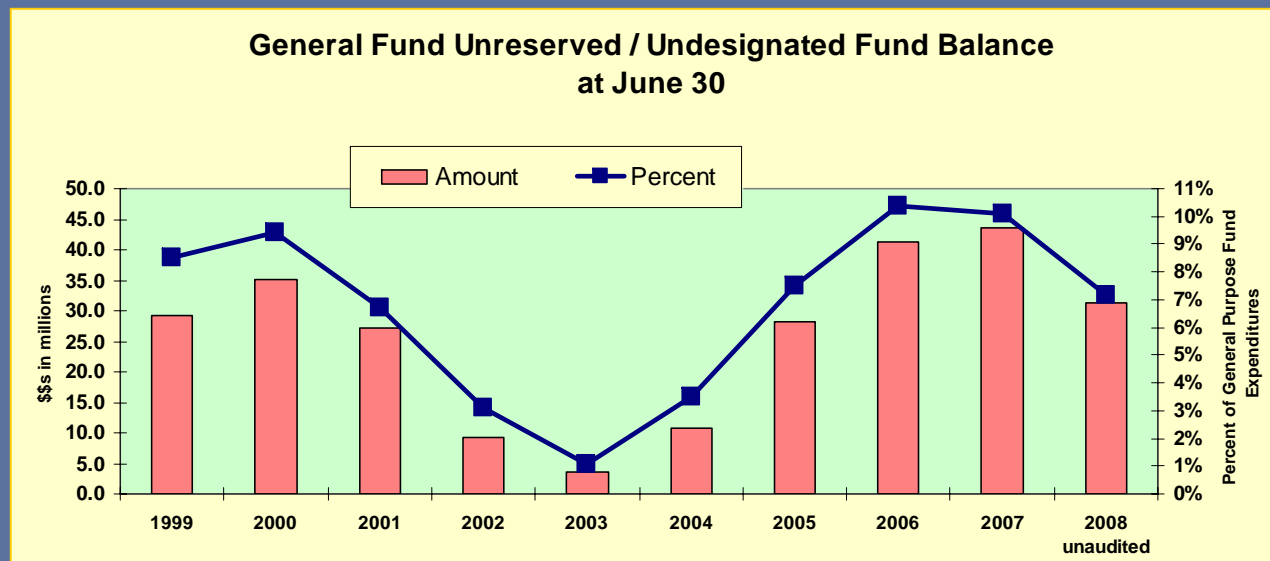
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- Held non-public safety positions vacant
- Implemented purchasing controls
- Restricted travel and training
- Restricted improvements and maintenance activities
- Measures saved over \$6 million



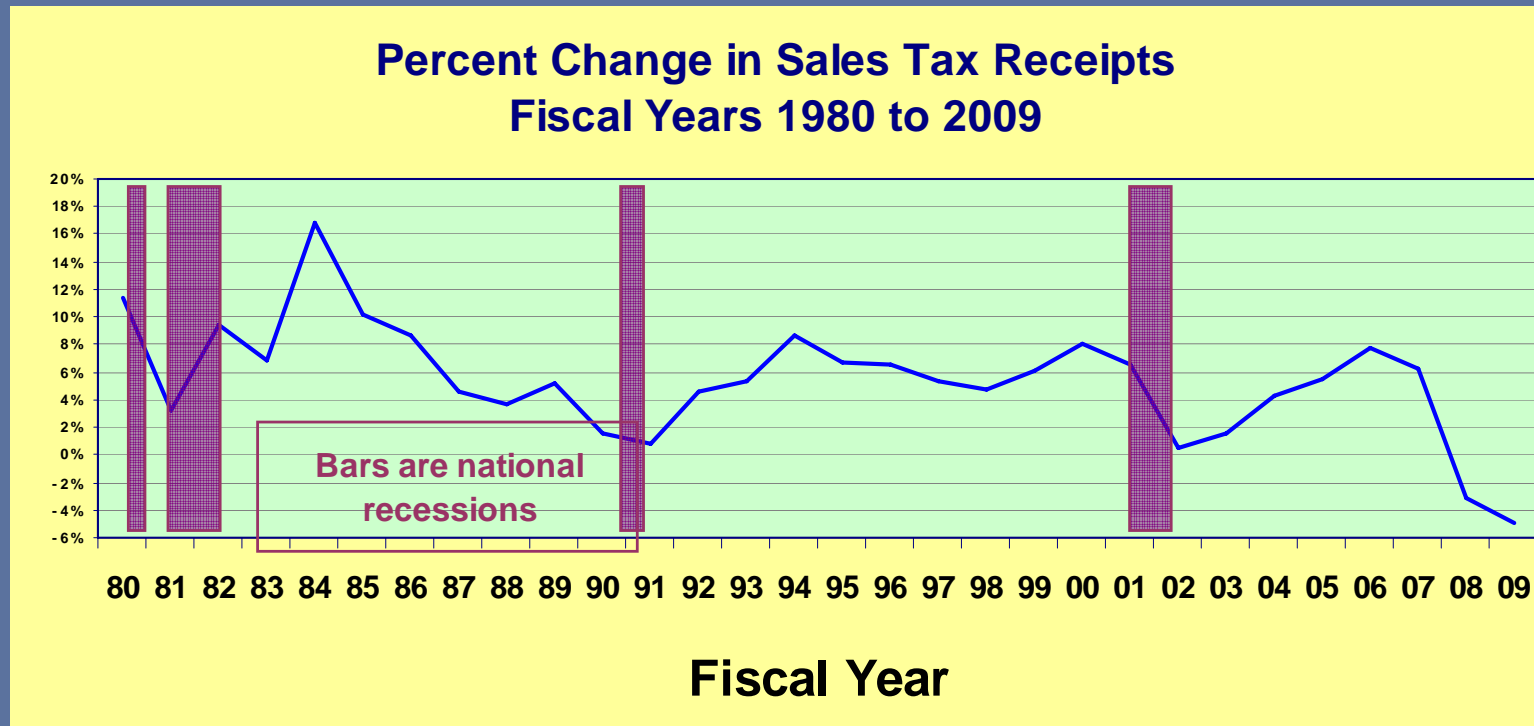
# Year-end FY 2008: Lost Revenue Impacted Fund Balance

- Unreserved fund balance = \$31.2 million
- Reserve loss of \$12.5 million
- General Fund Unreserved down from 10.1% in FY 2007 to 7% in FY 2008



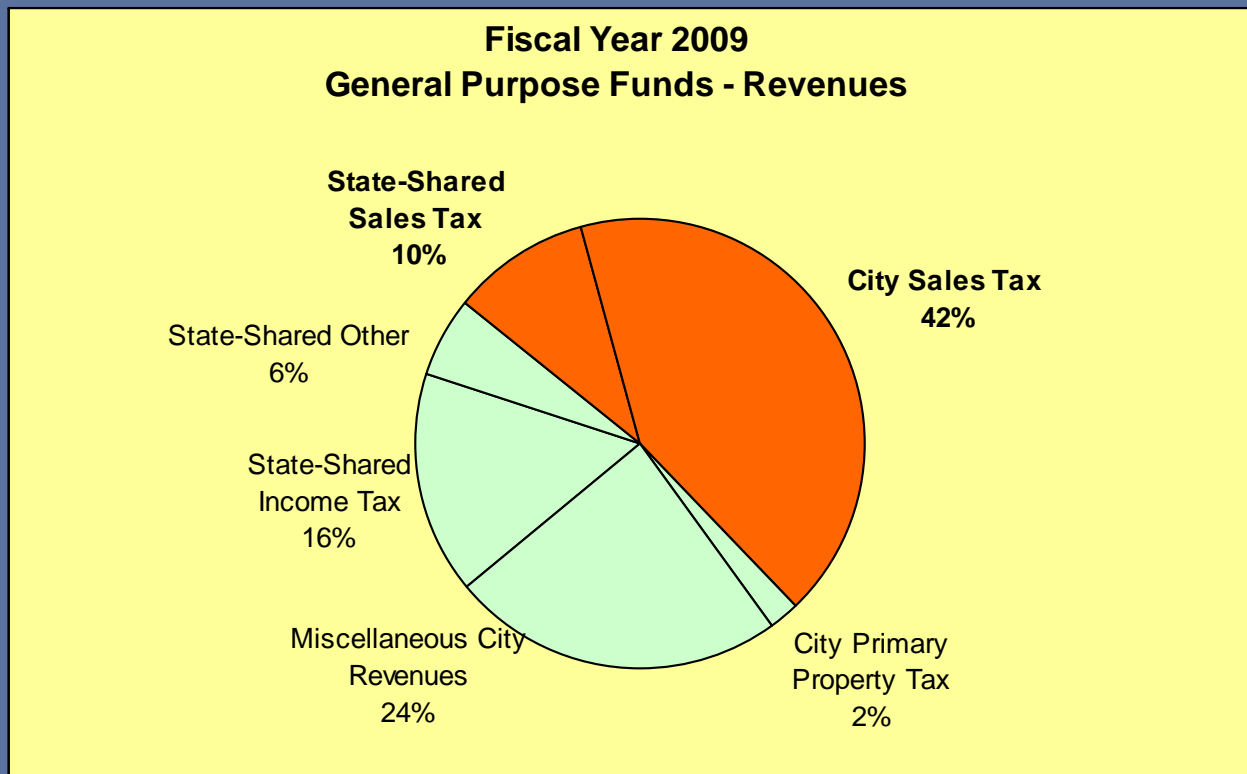
# Sales Tax Declines Continue in FY 2009

- FY 2009 continues financial trend not seen in the past 30 years.



# GPF budget dependent on sales taxes.

- 52% of the GPF revenues are from local sales tax (42%) and state-shared sales taxes (10%).



# FY 2009 - First Look

## Increasing Costs & Revenue Shortfall

September 2008

### General Purpose Fund Pressures

Increased costs in adopted budget	\$ 13.3
Revenue shortfall	16.5
Transfer to State	2.1
Increased fuel, jail, & payroll costs	1.9
Increased Mass Transit contribution	4.7
Reduced admin charge	2.3
<b>Total to Manage</b>	<b>\$ 40.8</b>

### Management Measures

Identified savings from depts and HR	\$ 13.3
	<u>2.3</u>
subtotal	\$15.6
Unidentified savings:	
More vacancy mgmt	2.7
Debt restructuring	10.7
Rio Nuevo loan payment	6.8
Outside services cuts	2.9
Use of reserves	2.1
<b>Total Savings</b>	<b>\$ 40.8</b>

(\$ in millions)



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# FY2009 – Where are we now?

## Revenue shortfall has increased.

- City sales tax revenues falling each month.

Monthly Analysis of City Sales Tax Revenues (\$ millions)						
	FY 2008		FY 2009		YTD Decrease	
	Month	YTD	Month	YTD	\$ Drop	% Drop
July	16.4	16.4	<b>15.7</b>	<b>15.7</b>	<b>-0.7</b>	<b>-4.74%</b>
August	16.5	32.9	<b>15.2</b>	<b>30.9</b>	<b>-2.0</b>	<b>-6.06%</b>
September	16.2	49.1	<b>15.1</b>	<b>46.0</b>	<b>-3.1</b>	<b>-6.19%</b>



# FY2009 – Where are we now?

## Revenue shortfall has increased.

- State-shared sales tax revenues are also falling.

Monthly Analysis of State-Shared Sales Tax Revenues (\$ millions)

	FY 2008		FY 2009		YTD Decrease	
	Month	YTD	Month	YTD	\$ Drop	% Drop
July	4.2	4.2	<b>4.0</b>	<b>4.0</b>	<b>-0.2</b>	<b>-4.19%</b>
August	4.2	8.4	<b>3.8</b>	<b>7.8</b>	<b>-0.6</b>	<b>-7.01%</b>
September	4.0	12.4	<b>3.7</b>	<b>11.5</b>	<b>-0.9</b>	<b>-7.23%</b>



# FY2009 – Where are we now?

## Total to manage has increased.

October 2008

### General Purpose Fund Pressures

Increased costs in Adopted budget	\$ 13.3
<b>Revenue shortfall +10.2</b>	<b>26.7</b>
Transfer to State	2.1
Increased fuel, jail, & payroll costs	1.9
<b>Increased Mass Transit contribution -0.2</b>	<b>4.5</b>
Reduced admin charge	2.3
<b>Total to Manage</b>	<b>\$ 50.8</b>

(\$ in millions)

### Management Measures

Identified savings from depts and HR	\$ 13.3
	<u>2.3</u>
Subtotal	\$15.6
Unidentified savings: More vacancy mgmt	2.7
<b>Future reductions</b>	<b><u>10.9</u></b>
Subtotal	13.6
Debt restructuring	10.7
Rio Nuevo loan payment	6.8
<b>Outside services cuts -0.9</b>	<b>2.0</b>
Use of reserves	2.1
<b>Total Savings</b>	<b>\$ 50.8</b>



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# Summary

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- Ended FY 2008 in sound financial shape.
  - Reserve level at 7%
- Since July 08 identified \$15.6 million in reductions without impacting public safety or core services.
- Need to find another \$13.6 million in reductions for this fiscal year.
- Report back to you by mid-December on the additional reductions of \$13.6 million & start discussions on FY 2010

