

COA Budget Management Through the Recession FY/08 & FY/09

Finance and Government
Operations Committee
January 26, 2009

The Last 18 Months

Active Budget Management

- The US economy has been in recession since December 2007
- City revenue has reflected the recession
 - \$19.5 million shortfall in FY/08 (4.1% reduction); plus
 - \$20 million shortfall expected in FY/09 (4.3% reduction)
- Active expenditure management has kept the budget balanced
- The administration has worked in coordination with Council Staff in indentifying City savings

Budget Management Guidelines

- Maintain a balanced budget with expenditures at or below the projected resource level
- Keep a 1/12th operating reserve
- Minimize the impact on services to citizens
- Preserve our AAA bond rating
- Be realistic – not pessimistic or optimistic
- Avoid employee layoffs

Revenues Decline Through FY/08

- FY/08 GRT Revenue Growth budgeted at 4.3%
- As of the Five Year Forecast GRT growth was reduced to 1.2% which resulted in an overall reduction in revenue estimates of \$11.4 million
- As of the submission of the FY/09 Proposed Budget, there was no anticipation of GRT revenue growth and an additional shortfall in revenue of \$6.3 million was projected
- Final audit numbers resulted in an additional \$1.8 million shortage in revenue

December 2007: Five Year Forecast (GRT Growth Reduced to 1.2%)	\$ (11,415)
April 2008: FY/09 Proposed Budget (GRT Growth Reduced to 0%)	(6,295)
July 2008: Final FY/08 Annual Report	<u>(1,764)</u>
	\$ (19,474)

Management Actions Taken to Balance FY/08

- In early FY/08 departments we began ongoing meetings to identify savings
- Produced quarterly projections of expenditures by department and programs
- Identified positions to remain vacant (or delayed hiring date)
- 212 positions subsequently deleted in the FY/09 budget.

Management Actions Taken to Balance FY/08

- OMB staff began daily review of all purchase requisitions
- OMB staff were incorporated in the approval process of the contract management system, resulting in greater fiscal control of expenditures.
- Through prudent fiscal management the City was able to close the \$19.5 million revenue shortfall and achieve a Standard & Poor's AAA bond rating.

Composition of Revenue Shortfall FY/08

	<u>GRT</u>	<u>Other Revenue</u>	<u>Total</u>
Five Year Forecast (GRT Growth Reduced to 1.2%)	\$ 7,615	\$ 3,800	\$11,415
FY/09 Proposed Budget (GRT Growth Reduced to 0%)	3,820	2,475	6,295
Final FY/08 Annual Report	<u>(47)</u>	<u>1,811</u>	<u>1,764</u>
	\$ 11,388	\$ 8,086	\$ 19,474

Composition of Revenue Shortfall FY/09

- Total \$20 million reduction in revenue from the FY/09 budgeted level
- \$18 million reduction in GRT
- \$2 million reduction in other revenues
- 4.3% reduction in overall revenue and a 5.6% reduction in GRT as compared to the FY/09 budget level

	Budget FY/09	Current FY/09	Change FY/09	Percentage Change
GRT	319,535	301,506	(18,029)	-5.6%

Non GRT	Budget FY/09	Current FY/09	Change FY/09	Percentage Change
Property Taxes	46,109	47,884	1,775	
Telephone Franchise	3,070	2,762	(308)	
Electric Franchise	6,262	7,415	1,153	
Gas Franchise	6,255	5,243	(1,012)	
Cable Franchise	3,817	3,758	(59)	
Other Franchise	729	858	129	
Water Utility Franchise	5,195	4,999	(196)	
PILOT	1,533	1,533	-	
Building Permits	7,468	5,809	(1,659)	
Other Licenses/Fees	2,956	3,024	68	
Gasoline Tax Distrs	2,486	2,437	(49)	
Other Intergov'l	2,625	2,532	(93)	
Charges for Services	17,369	18,144	775	
Internal Service	1,565	1,858	293	
Indirect Overhead	14,199	12,743	(1,456)	
CIP-Funded Positions	9,480	10,035	555	
Fines and Forfeitures	150	172	22	
Other Miscellaneous	916	916	-	
Interest on Invest	3,200	1,500	(1,700)	
Interfund Transfers	11,058	10,858	(200)	
Total Non GRT	146,442	144,479	(1,963)	-1.3%

Total Revenue	465,977	445,985	(19,992)	-4.3%
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Budget Management Savings Plan

\$20 million Reduction in FY/09

- \$14 million department savings (per 2nd Qtr. Projections)
 - vacancy savings from 173 full and part time positions
 - other operational savings identified by departments and Council Staff
- \$6 million in other savings
 - FY/08 carry in of \$3 million
 - \$3 million reduction in reserves
 - Fuel reserve (\$1.7 million)
 - Public Safety Quarter Cent Tax Prisoner Transport reserve (\$364 thousand)
 - Balloon Museum reserve (\$200 thousand) and
 - Adjusting the 1/12th reserve for the lower expenditure level (\$735 thousand).

Budget Management Savings Plan FY/09

- maintains 1/12th reserve
- minimize the impact on City services, with the current level of service maintained through the end of the fiscal year
- The intention and expectations are to generate additional savings above the \$14 million by the end of FY/09.
- Additional vacant positions and operational costs are being scrutinized and reviewed with departments to ensure only required expenditures are incurred through the end of the year.
- no planned layoffs

Vacancies and Hiring FY/09

- Departments submitted a list of permanent full time and part time position vacancies as of August 29, 2008
- This list was used in department review meetings attended by Council Staff in October

Vacancies and Hiring FY/09

- The August 29 vacancy list had:
 - 326 permanent (full time and part time) General Fund and General Fund subsidized positions of which
 - 104 of these positions were either CIP recovered, Public Safety Quarter Cent Tax funded, security or transit drivers
 - Some of these positions were in the process of being filled at the time

Vacancies and Hiring FY/09

- Council was sent savings plan in early November
 - 142 permanent positions not to be filled
 - 220 positions may be allowed to fill pending revenue
- In November and December the City filled 54 permanent positions from outside of the City
 - 48 in the General Fund or Transit
 - 25 Transit Drivers
 - 6 animal handlers and
 - 6 Citizen Service Operators (311)
 - 3 Emergency Operators (911)

	<u>Department</u>	<u>November</u>	<u>December</u>	<u>Grand Total</u>
General Fund	ANIMAL WELFARE	2	4	6
	CITY COUNCIL	-	1	1
	CULTURAL SERVICES	1	-	1
	FINANCE AND ADMINISTRATIVE SERVICES	6	-	6
	INTERNAL AUDIT	1	-	1
	MUNICIPAL DEVELOPMENT	2	1	3
	POLICE	<u>1</u>	<u>3</u>	<u>4</u>
	General Fund Total	13	9	22
Operating Grants	FAMILY AND COMMUNITY SERVICES	1		1
	TRANSIT	<u>-</u>	<u>1</u>	<u>1</u>
Operating Grants Total		1	1	2
Gas Tax Fund	MUNICIPAL DEVELOPMENT	1	1	2
City/County Building Fund	MUNICIPAL DEVELOPMENT	-	1	1
Aviation Fund	AVIATION	-	1	1
Transit Operating Fund	TRANSIT	<u>6</u>	<u>20</u>	<u>26</u>
Total		<u>21</u>	<u>33</u>	<u>54</u>

Vacancies and Hiring FY/09

- As of January 12, 2009 vacant positions:
 - 261 General Fund and
 - 65 Transit Operating Fund

END OF PRESENTAION