

# Update of City Financial Condition

## 01/10

1. Review and update numbers from October
2. Review recommended action for current fiscal year that ends June 30, 2010
3. Review options for next fiscal year 7/1/10 to 06/30/11

# Last Year Actual (FY08-09)

- Revenues FY08-09 ended -\$818,000
- Expenses ended 93.5% of budget vs. estimated 94.5%, saving \$324,000
- Two items above combined meant year ended -\$494,000 below estimate
- Paid -\$494,000 out of fund balance

# Changes/Actions since October

- Closely monitoring monthly general fund revenues
- Met with dept. heads and identified any monies in special funds that could be utilized to help general fund
- Dept. heads have provided suggestions for possible new revenues and possible expense reductions (5%)

# Sales tax (31% revenue total)

	<u>Current Yr.</u>	<u>Last Yr.</u>	<u>% Change</u>
– July	\$ 664,625	\$ 733,540	- 9.4%
– Aug.	\$ 689,203	\$ 757,365	- 9.0%
– Sep.	\$ 755,702	\$ 766,075	+ 0.3%
– Oct.	\$ 636,217	\$ 717,838	-11.4%
– Total	\$2,745,747	\$2,974,818	- 7.7%

(For year, I projected sales tax -1.1%. To reach this -1.1%, sales must average +2.5% next 8 months)

# State Income Tax (14% Total Rev.)

	<u>Current Yr.</u>	<u>Last Yr.</u>	<u>% Change</u>
July-Dec.	\$1,448,922	\$1,617,086	- 10.4%

(For year, I projected sales tax -8.9%. To reach this -8.9%, income tax must average -5.1% next 6 months)

# Utility Tax (13% of Total Rev.)

	<u>Current Yr.</u>	<u>Last Yr.</u>	<u>% Change</u>
July-Nov.	\$1,261,036	\$1,347,743	- 6.4%

(For year, I projected util. tax -3.8%. To reach this -3.8%, income tax must average -2.4% next 7 months)

# Changes/Actions since October

- Closely monitoring monthly general fund revenues
- Met with dept. heads and identified any monies in special funds that could be utilized to help general fund
- Dept. heads have provided suggestions for possible new revenues and possible expense reductions

# Changes/Actions since Oct. (Cont'd)

- Increased parking fines, general city fines, implemented boot = +\$108,000
- Revised growth in assessed value (property tax) downward from +3.5% to +2.5% = cost \$70,000
- Revised state income tax from -4.9% to -8.9% = -\$156,000

# Current year (7/01/09-06/30/10):

- Revenues \$29.59 M (-0.4% )
- Expenses \$31.02 M (96% spending)
- Deficit \$ 1.43 M (\$120K worse than October)
- (Worst case = -\$2 M, Best case = -\$1 M)

# Next year (07/01/10-06/30/11)

Revenues \$31.86 M (+3.4% )

Expenses \$ 33.20 M (see below)

Deficit \$ 1.34 M

(Worst case = -\$2 .4M, Best case = -500K)

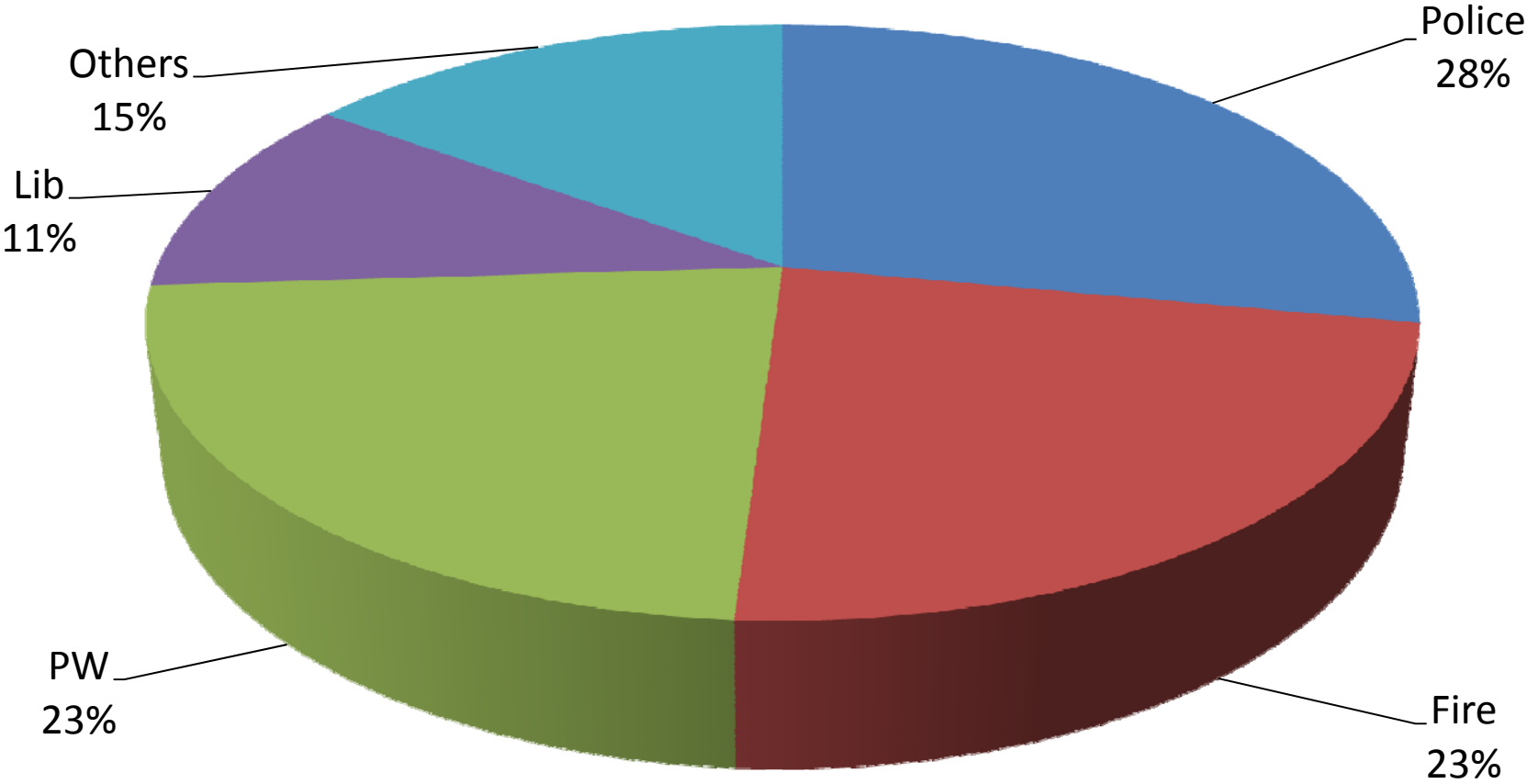
(Expenses are at 96% spending, with  
no amounts for salary increases,  
each 1% for salaries costs  
\$225,000)

# Following year (07/11-06/12)

- Revenues \$32.91M (+3.1%)
- Expenses \$33.95 M (see below)
- Deficit \$ 1.04M
- (Worst case = -\$1.4M, Best case = -\$80K)  
(Expenses at 96% spending, with no amounts for salary increases)

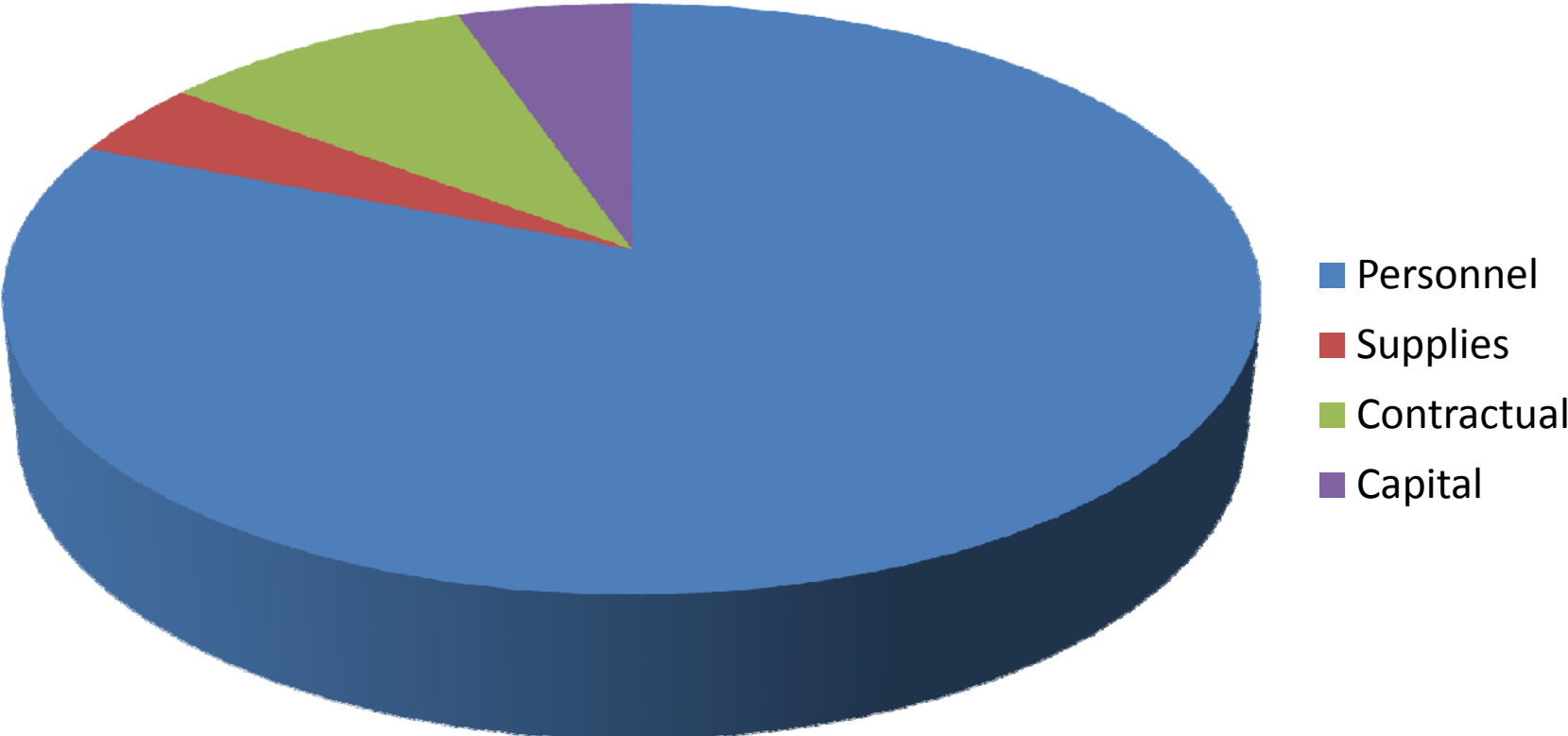
# Expense Breakdown by Dept.

Police, Fire & PW = 74%



# Breakdown of Expenses by Category

Personnel = 77%



# Recommended steps to balance FY09-10 (-1.4M)

- City will try to keep spending levels at amounts absolutely required (vacant positions & keep controllable expenses at minimum levels) I have projected spending level at 96%.
- Utilize \$700,000 (1/2) of federal stimulus money. Impact on capital improvements fund is to defer Florida Avenue improvement (will have to identify \$ if Menards opens)
- Utilize \$700,000 (1/2) cash carry forward (fund balance) up to maximum amount that is available of \$1.3 million.

# Vacant Gen. Fund Positions

- PW Electrician – currently recruiting
- 2 Police Officer – currently not recruiting
- 1 PW Worker (1 more retiring 2/15) – currently not recruiting
- 1 Police Serv. Repr. – currently recruiting
- (I estimate city can save \$250,000 from not hiring 2 officers and 2 PW workers)

# Recommended steps to balance FY10-11 (-\$1.3M)- 3 Options

- Option 1 (Draconian): thru semi-permanent expense reductions & transfers from special funds (\$988K in reductions & \$314K in transfers)
- Reductions: 3%:
  - Police \$265K
  - Fire \$218K
  - PW \$217K
  - Lib. \$95K
  - CD \$50K
  - Ex \$45K
  - Fin \$44K
  - Clerk \$7K

# Recommended steps to balance FY10-11 (-1.3 M), Option 1 Cont'd

- Travel restrictions, training reductions, 7 positions, possible furloughs or salary reductions
- Transfers
  - Leaf Pickup to Recycle fund      \$78K
  - +20% Overhead MVPS                \$84K
  - Internal Eng. To TIF's                \$30K
  - ½ UBA to TIF's                        \$28K
  - ¼ ED Mgr. to TIF's                    \$25K
  - ¼ Planner to TIF's                    \$18K
  - ¼ Planner to CDBG                    \$18K
  - +UCycle \$14K, UPTV \$10K, Farmers Market \$9K

# Recommended steps to balance FY10-11 (-1.3M) Option 2(Buying time)

–Utilize temporary one-time transfers  
from special funds:

- VERF \$400K
- Insurance Reserve \$400K
- Fund Balance \$500K

# Recommended steps to balance FY10-11 (-1.3M) Option 3

– Combination ½ temporary measures and ½ semi-permanent transfers and expense reductions (RE recommendation)

- VERF \$400K
- Insurance Reserve \$300K
- Semi-permanent transfers \$181K
  - Leaf Pickup to Recycle fund \$78K
  - +10% Overhead MVPS \$42K
  - ½ UBA to TIF's \$28K
  - ¼ Arts Coord. to Uycle \$14K
  - Farmers Market Overhead \$ 9K
  - UPTV Overhead \$10K

# Recommended steps to balance FY10-11 (-1.3M) Option 3 Cont'd

Expense Reductions \$419K (1.2%):

- No reductions travel or training
- No pay increases
- Eliminate couple positions that have been vacant for few years
- Picking off low hanging fruit (reductions identified by dept. heads)

(If situation worsens, possibility of revenue enhancements, further semi-permanent transfers, and or further expense reductions).