

TO: The Honorable Mayor and Members of the City Council

THRU: Henry Holling, Interim City Manager

FROM: James R. Scroggins, Finance Director/Comptroller

DATE: June 9, 2009

SUBJECT: **FINANCIAL OVERVIEW OF 2009 YEAR-TO-DATE PROJECTIONS; 2010 PRELIMINARY PROJECTIONS INCLUDING 5 – YEAR PROJECTIONS**

As indicated in the Council communication, the current financial picture for 2009 and what is expected for 2010 will be presented. Please find attached the materials which will be discussed at the June 9, 2009 Council meeting. The materials include the General Fund Revenues, Expenditures and Change in Fund Balance as of April 30, 2009 – Budget vs. Actual, 2009 Active CIP Project Financial Summary as of April 30, 2009, 2010 Revenue and Expenditure projections included in the (5) year revenue and expenditure projections and revenue and expenditure trends .

General Fund Revenues, Expenditures and Change in Fund Balance as of April 30, 2009

In the first 4 months of fiscal year 2009, the revenues continue to decline. The City is experiencing declines in economic-driven sources which, when taken in total, represent a 5-8% reduction in General Fund revenues. The General Fund represents the largest portion of operational and service delivery spending in the organization.

As has been reported earlier, the economic driven revenues such as home rule and municipal sales tax, state income tax and personal property replacement tax have declined from the previous year. These revenues comprise nearly 52% of the operating revenue sources. These revenues will be further discussed under revenue and expenditure trends. Other revenues that have been impacted by the current economic environment include permits and interest revenue. Through April General Fund revenues are approximately 7% under budget.

The year-to-date expenditures through April 30 of fiscal year 2009 are approximately 12% below the year-to-date budget expenditures. The year-to-date expenditures do not include an estimated accrual for retroactive pay for Crafts and Trades and Police.

Council and staff have reacted quickly to the decline in revenues and have reduced the 2009 budget by nearly \$2.9M in late April. The revenue and expenditure budgets have been amended in May after the passage of the budget amendment and will be reflected in the monthly statements going forward.

2010 Preliminary Projections Including 5 – Year Projections

On May 15, 2009 the City Council was provided the revised 2009 – 2013 preliminary projections that reflected an anticipated \$10,046,499 deficit for 2010. This projected deficit is a result of the impact on revenues from the current economic climate and a structural imbalance of operating expenditures growing at a faster rate than our revenues. As indicated in the attached spreadsheet, our operating expenditures are projected to increase approximately 5% while our total revenues are projected to increase at approximately 2.5%. This trend of expenditures out pacing revenues continues into the future.

Management continues to review and strategize and a combination of short term techniques and long-term structural changes are being explored. Please see the section titled “*Conceptual Options for Addressing the 2010 Budget.*”

It is intended that the presentation be interactive, as the discussion is to help identify issues early in the development of the 2010 budget. City Council direction on key issues for the 2010 budget is critical for staff to more closely meet Council’s expectations for the proposed 2010 budget. The process for the review of the operating budget will also be discussed, as well as, direction relating to establishment of the Operating Budget guidelines.