

**Financial Outlook Presentation**

- Performance Plus integration with annual budget process
- Status of FY08 and FY09 budgets given revenue shortfalls
- City revenue limitations
- Action steps to manage through this downturn

Submitted at City Council

Date 12/10/07 Item #5

Date

Item

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## **Performance Plus Budgeting**

Previously when departments asked for new or expanded budgets:

- They justified the additional funding based on need or demand
- Little or no budgetary follow up occurred to see if the need or goals were satisfied
- Once programs were created, it was very difficult to “unfund” them regardless of results

## **Performance Plus Budgeting**

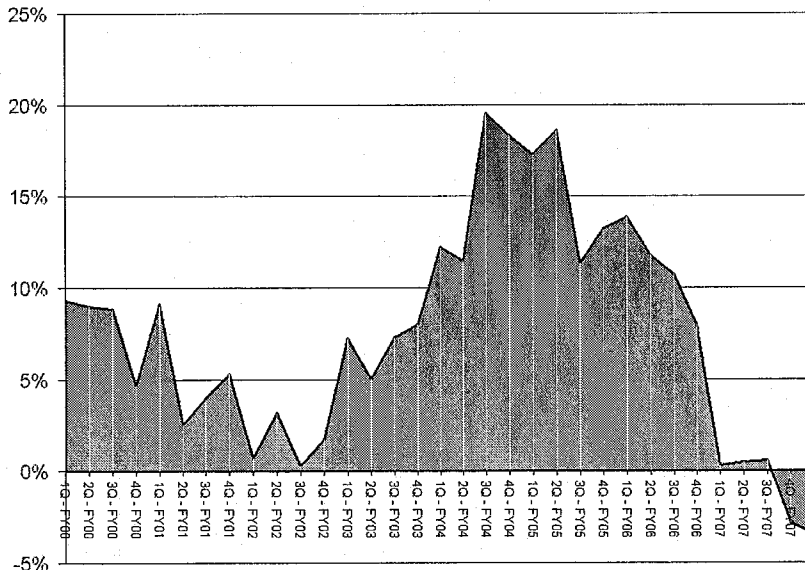
FY09 Budget Process requires departments submit SBPs with their budget request:

- Requests will require result and efficiency measure predictions (not just demand or output)
- Performance will be monitored quarterly by PPET
- Decisions to reallocate resources can then be made on performance as well as priorities

## Historical Budget Performance

	Historical Actuals					Budget FY08 (cut)	Ave Growth
	FY03	FY04	FY05	FY06	FY07		
Consolidated Tax	179.3	206.9	238.0	264.3	263.2	258.0	7.5%
Property Tax	78.6	87.7	96.2	106.1	116.4	128.4	10.3%
Licenses & Franchise	60.1	63.8	73.0	76.4	83.4	84.8	7.1%
Other	49.0	54.9	51.7	57.3	57.0	59.0	3.8%
<b>TOTAL REVENUE</b>	<b>367.0</b>	<b>413.3</b>	<b>458.9</b>	<b>504.0</b>	<b>520.2</b>	<b>530.2</b>	<b>7.6%</b>
Labor & Benefits	191.1	212.0	231.4	246.6	278.7	295.3	9.1%
Non- Labor	151.5	163.5	170.3	187.3	207.3	227.7	8.5%
T/O - Debt Serv	10.1	10.9	12.5	12.9	14.9	11.1	1.9%
T/O - CPF	16.5	16.2	27.9	25.0	25.4	3.3	
T/O - Other	1.4	4.6	5.1	8.8	2.1	1.9	
Non CIP Program Expansion	-	-	-	-	-	-	
CPF - Pay as You Go	-	-	-	-	-	-	
CPF - Cum New Debt Service	-	-	-	-	-	-	
CPF - Cumulative New O&M	-	-	-	-	-	-	
<b>TOTAL EXPENDITURES</b>	<b>370.7</b>	<b>407.1</b>	<b>447.3</b>	<b>480.6</b>	<b>528.4</b>	<b>539.2</b>	<b>7.8%</b>
<b>Excess(Shortfall)</b>	<b>(3.7)</b>	<b>6.3</b>	<b>11.6</b>	<b>23.4</b>	<b>(8.3)</b>	<b>(9.0)</b>	
<b>Fund Balance</b>	<b>56.5</b>	<b>62.7</b>	<b>74.3</b>	<b>97.7</b>	<b>89.4</b>	<b>80.4</b>	<b>7.3%</b>
<b>Fund Balance % of Revenues</b>	<b>15.4%</b>	<b>15.2%</b>	<b>16.2%</b>	<b>19.4%</b>	<b>17.2%</b>	<b>15.2%</b>	

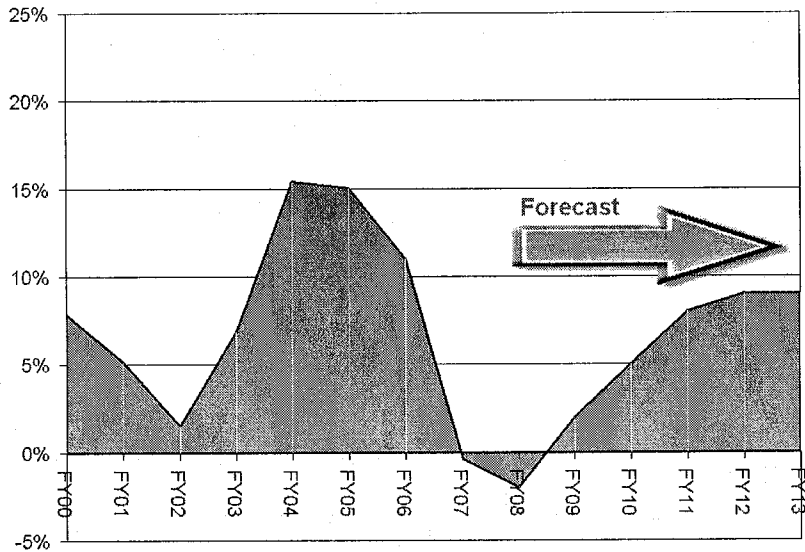
## Historical C-Tax Growth



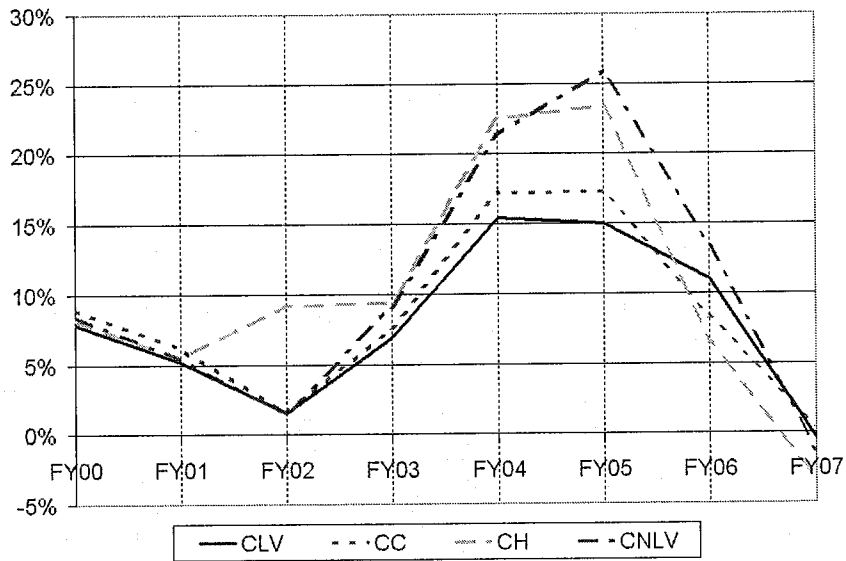
## Forecasted Budget Performance

	Budget	Forecast					Ave Growth
	FY08 (cut)	FY09	FY10	FY11	FY12	FY13	
Consolidated Tax	258.0	263.2	276.3	298.4	325.3	354.6	6.6%
Property Tax	128.4	134.8	144.2	157.2	172.9	190.2	8.2%
Licenses & Franchise	84.8	89.0	93.5	96.3	99.2	102.1	3.8%
Other	59.0	60.8	62.6	64.5	66.4	68.4	3.0%
<b>TOTAL REVENUE</b>	<b>530.2</b>	<b>547.8</b>	<b>576.6</b>	<b>616.4</b>	<b>663.8</b>	<b>715.3</b>	<b>6.2%</b>
Labor & Benefits	295.3	303.3	321.2	342.3	364.6	390.3	5.7%
Non- Labor	227.7	234.5	241.6	248.8	256.3	264.0	3.0%
T/O - Debt Serv	11.1	11.1	11.1	11.1	11.1	11.1	0.0%
T/O - CPF	3.3						
T/O - Other	1.9	4.0	4.0	4.0	4.0	4.0	16.5%
Non CIP Program Expansion	-	-	1.0	1.0	2.0	2.0	
CPF - Pay as You Go	-	-	-	-	-	-	
CPF - Cum New Debt Service	-	-	-	5.0	20.0	30.0	
CPF - Cumulative New O&M	-	-	1.0	1.0	2.0	2.0	
<b>TOTAL EXPENDITURES</b>	<b>539.2</b>	<b>552.9</b>	<b>579.8</b>	<b>613.1</b>	<b>659.9</b>	<b>703.3</b>	<b>5.5%</b>
Excess(Shortfall)	(9.0)	(5.1)	(3.2)	3.3	3.9	12.0	
Fund Balance	80.4	75.3	72.1	75.4	79.3	91.3	2.6%
Fund Balance % of Revenues	15.2%	13.7%	12.5%	12.2%	12.0%	12.8%	

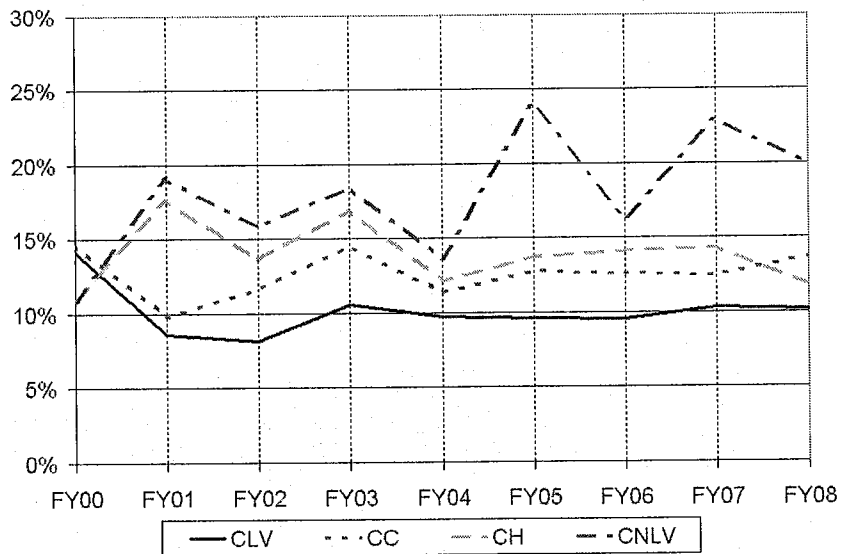
## Forecast C-Tax Growth

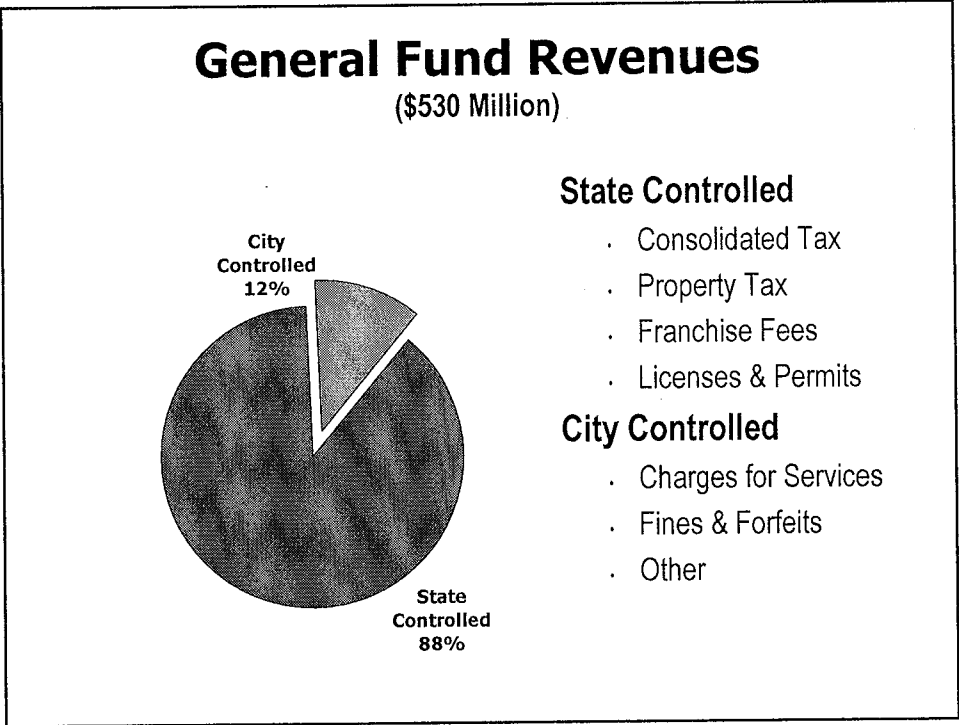
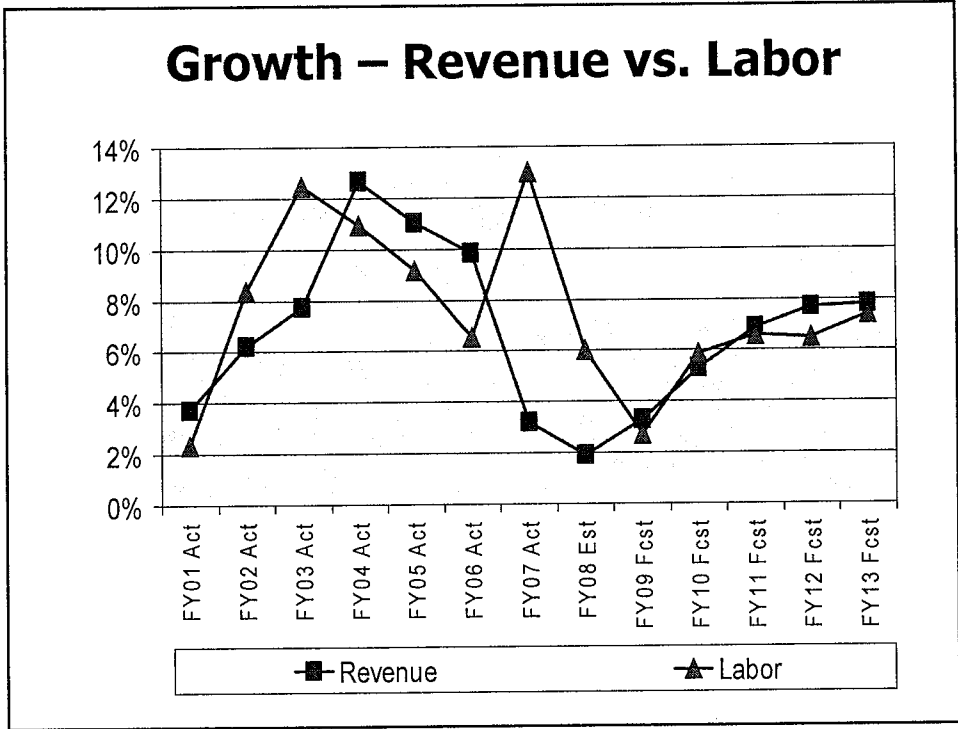


## C-Tax Growth Comparisons



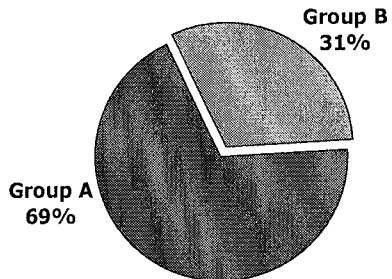
## Property Tax Growth Comparisons





## General Fund Expenditures

(\$539 Million)



### Group A

- . Public Safety
- . Criminal Justice
- . Infrastructure

### Group B

- . General Government
- . Culture & Recreation
- . Other

## General Fund Impacts

FY08 Adjusted Budget	\$539
10% Overall Reduction	\$54
Group B Base	\$167
Percent Reduction for Group B	<b>32%</b>

## **Revenue Threats**

- ✓ C-Tax
- ✓ Property Tax
- ✓ Franchise Revenues
- ✓ Employee Benefits
- ✓ Others

## **FY07 Action Steps Taken**

- ✓ Reduced budgets by \$20M
- ✓ Tightened vacant position control

## **Proposed FY08 Action Steps**

- ✓ Reduce budgets by \$16.2M
  - This 3% reduction will mostly be absorbed through vacancies
- ✓ Reduce fund balance by \$5.3M
  - FY07 closing FB is \$16.1M more than planned
  - The remaining \$10.8M to be carried over to weather future year shortfalls

## **Proposed FY09 Action Steps**

- ✓ Plan to absorb an additional 3% vacancy savings
  - Released to the extent C-tax and property tax exceed forecasted growth of 2% and 5% respectively
- ✓ Reduce fund balance by additional \$5.1M
- ✓ Look towards eliminating programs/functions
- ✓ Delay funding additional capital projects

## **What if More Cuts are Needed?**

- ✓ Continue to look towards eliminating programs/functions
- ✓ Identify Capital Project Funds that are unobligated or obligated to projects not started; establish a prioritized list of projects to be deferred or canceled will be identified; do not fund any capital projects projects in FY09
- ✓ Consider reducing fund balance policy

**Questions, comments, direction?**