

*City of Chico*



**FY09-10  
2nd Quarter  
Financial Update**

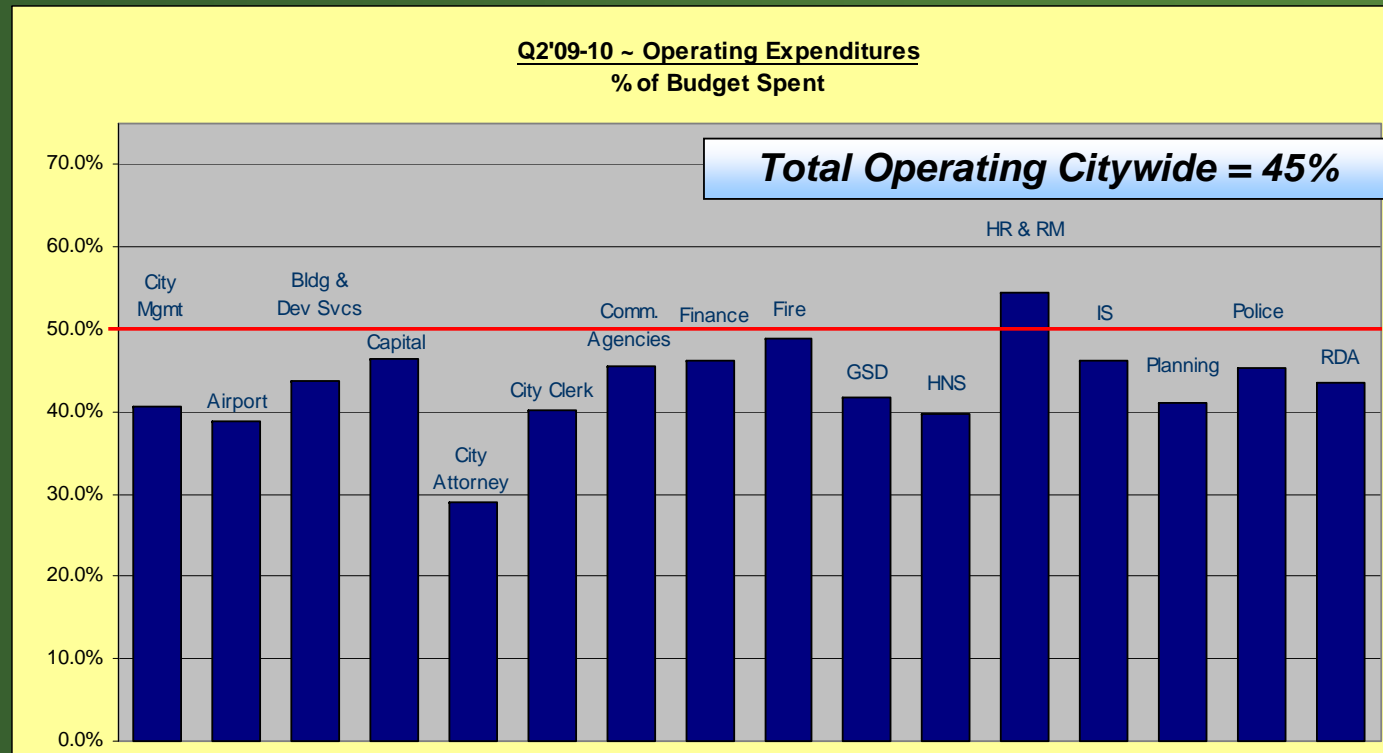
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*City Council Meeting*

*March 2, 2010*

# Q2'09-10: Status of Deficit Reduction Strategy

- Actual expenditures trending below budget



## Q2'09-10:

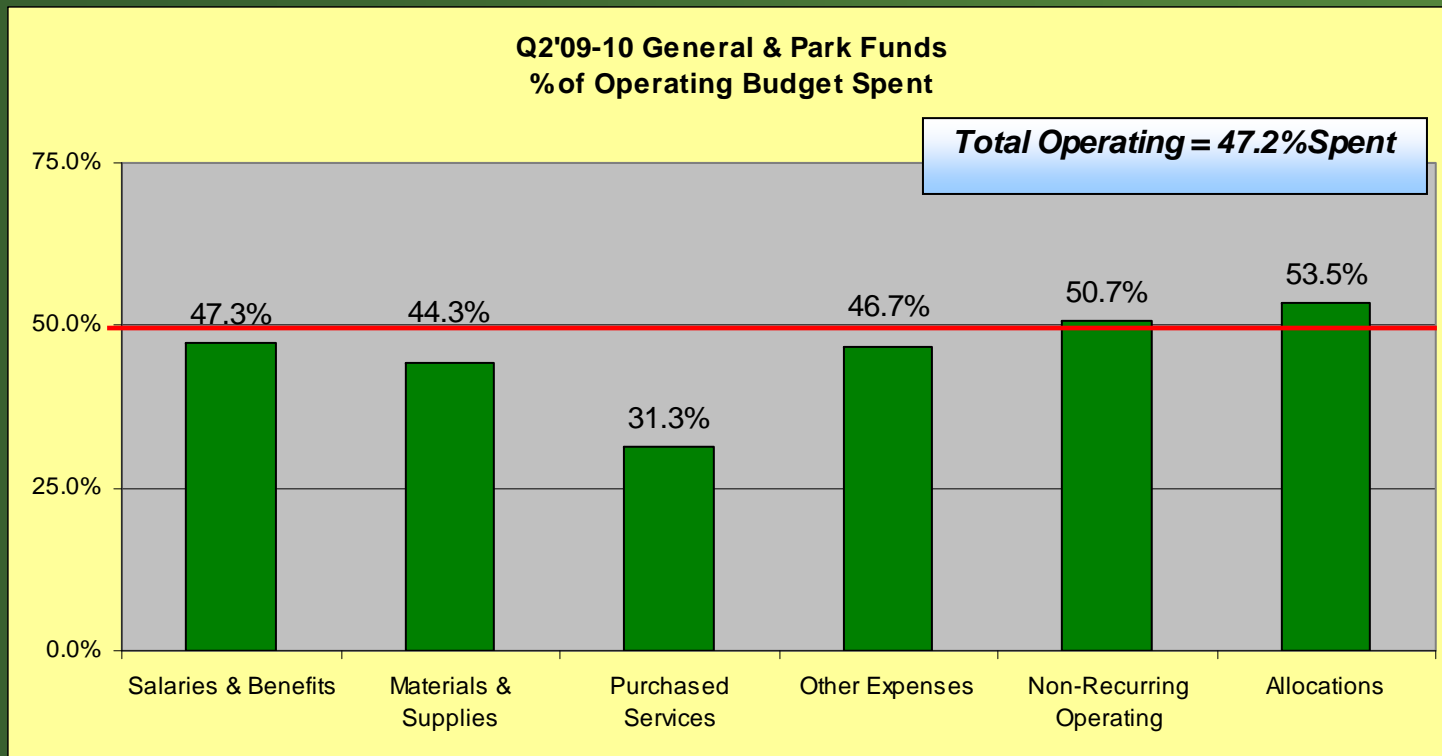
# Status of Deficit Reduction Strategy

- Vacant positions creating additional savings over and above Deficit Reduction Strategy
  - **General & Park Fund Vacancies:**
    - Police Department = 6
    - Fire Department = 7 (backfilled with overtime)
    - General Services Department = 4
    - Finance Department = 1
  
  - **Non-General Fund Vacancies**
    - Planning Department = 2
    - Housing & Neighborhood Services = 1
    - Building & Development Services = 4
    - Capital Project Services = 3

*Per Vacancy Analysis Report, dated January 14, 2010*

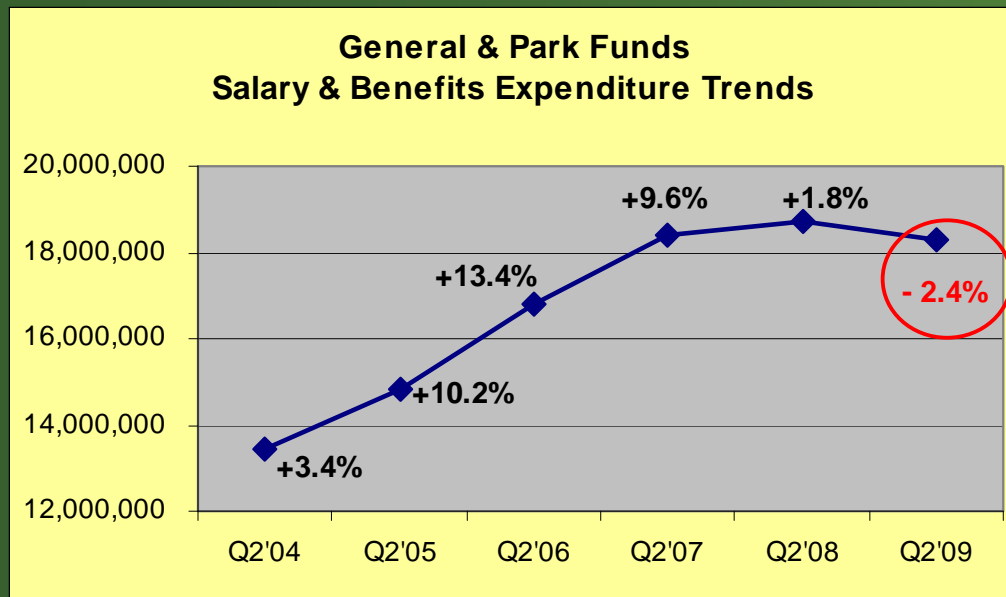
# Q2'09-10: Status of Deficit Reduction Strategy

- General & Park Fund actual expenditures trending below budget



# Q2'09-10: Status of Deficit Reduction Strategy

- General & Park Fund Salaries & Benefits continue to show decline over prior years



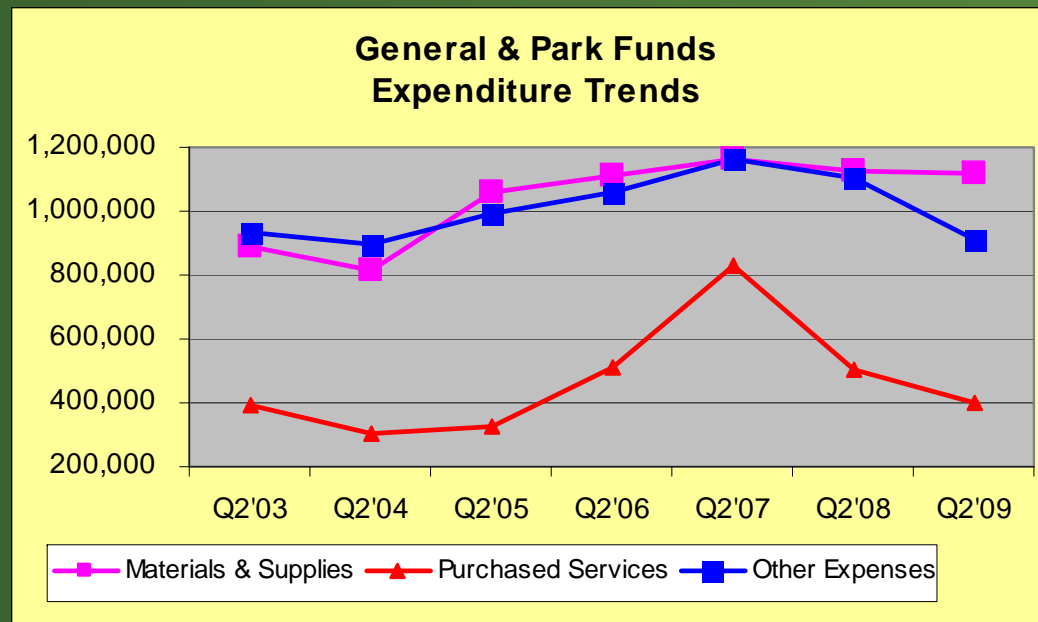
2.4% reduction due primarily to less overtime expenditures

Excluding Overtime, growth rate = 0.08%

Prior 5-Yr average growth rate = 7.7%

# Q2'09-10: Status of Deficit Reduction Strategy

- General & Park Fund non-salary expenditures also on the decline



Non-salary operating expenditures down 2.4% from prior fiscal year

# Q2'09-10: Status of Deficit Reduction Strategy

- General & Park Fund Revenue falling short of budget projections

	FY09-10 Adopted Budget	FY09-10 Mid-Year Update	Mid-Year Adjustment
Sales Tax	15,038,300	14,308,598	(729,702)
Property Tax	4,788,829	4,656,679	(132,150)
Property Tax In Lieu of VLF	6,443,000	6,763,688	320,688
Utility Users Tax	6,385,300	6,713,621	328,321
Transient Occupancy Tax	1,595,500	1,715,000	119,500
<u>Other Taxes</u>	<u>1,842,400</u>	<u>1,842,400</u>	<u>0</u>
<b>Total Tax Revenue</b>	<b>36,093,329</b>	<b>35,999,986</b>	<b>(93,343)</b>
Licenses and Permits	92,700	92,700	0
Motor Vehicle In Lieu (VLF)	750,000	750,000	0
From Other Agencies	754,900	354,900	(400,000)
Charge for Current Services	262,900	262,900	0
Fines and Forfeitures	793,700	793,700	0
Use of Money and Property	314,210	239,210	(75,000)
<u>Other Revenues</u>	<u>351,600</u>	<u>351,600</u>	<u>0</u>
<b>Total Other Revenues</b>	<b>3,320,010</b>	<b>2,845,010</b>	<b>(475,000)</b>
<b>Total Gen/Park Revenue</b>	<b>39,413,339</b>	<b>38,844,996</b>	<b>(568,343)</b>

← Due to lower sales activity  
 ← Due to home de-valuations  
 ← Due to higher Assessed Value  
 ← Due to higher base & better trends than expected  
 ← Due to lower Fire/PD reimb.  
 ← Due to lower interest earnings

# Q2'09-10: Status of Deficit Reduction Strategy

General & Park Funds	COUNCIL ADOPTED 2009-10	REVISED PROJECTION 2009-10	Variance
Total Tax Revenues	36,093,329	35,999,986	(93,343)
All Other Revenues	3,320,010	2,845,010	(475,000)
Other Financing Sources	4,172,749	4,172,749	-
<b>TOTAL REVENUE SOURCES</b>	<b>43,586,088</b>	<b>43,017,745</b>	<b>(568,343)</b>
Salaries and Benefits	38,704,445	38,298,223	(406,222)
Materials, Services & Supplies	2,515,233	2,365,233	(150,000)
Purchased Services	1,239,718	972,961	(266,757)
Other Expenses	1,970,216	1,895,216	(75,000)
Allocations	3,766,426	4,016,426	250,000
Indirect Cost Allocation	(3,493,631)	(3,493,631)	0
<b>Total Operating Expenditures</b>	<b>44,702,407</b>	<b>44,054,428</b>	<b>(647,979)</b>
Capital Improvement Projects	301,000	401,434	100,434
Other Financing Uses	1,133,166	1,180,792	47,626
<b>TOTAL EXPENDITURES</b>	<b>46,136,573</b>	<b>45,636,654</b>	<b>(499,919)</b>
NET REVENUE/(DEFICIT)	(2,550,485)	(2,618,909)	(68,424)
<b>BEGINNING FUND BALANCE</b>	2,681,521	2,690,970	9,449
<b>ENDING FUND BALANCE</b>	<b>131,036</b>	<b>72,061</b>	<b>(58,975)</b>

Gen/Park still  
balanced,  
despite declining  
revenues

**Q2'09-10:**

## **Status of Deficit Reduction Strategy**

- Budget Contingency Plan **not** triggered
  - Expenditure savings have absorbed revenue shortfall
  
- Budget Contingency Plan Triggers
  - 2 consecutive quarters of adverse fiscal results in top 5 revenues
  - Declines in revenues are analyzed in conjunction with expenditure trends
  - If expenditure savings offset revenue declines, reduction measures will not be implemented

Q2'09-10

Supplemental Appropriation

# Q2'09-10: Supplemental Appropriation

- Major Q2'09-10 Budget Adjustments include:
  - \$230,000 reduction to General Fund
    - -\$125k in litigation budget
    - -\$105k in Fire overtime, due to less deployments
  - \$2,425,000 additional ARRA grant funds
    - Dedicated to SR99 Corridor Bikeway Facility
  - \$100,000 additional ARRA grant funds
    - Dedicated to Hazard Reduction Pruning
  - Other minor adjustments and clean-up items

# FY 2010-11 Preliminary Outlook

# FY2010-11: New Budget Challenges

- Revenue declines expected to continue
  - Impact of State Budget
  - CSUC Chico enrollment
- California expected to lag nation in its economic recovery
  - Housing crash much deeper in California
  - Higher unemployment than the nation
- Chico typically lags California

# FY2010-11: New Budget Challenges

- Revenue has dropped 9% (\$4M) since FY07-08
  - Sales Tax back to FY02-03 levels
  - Created lower baseline used for revenue projections
- Expenditures expected to increase, due to
  - Contractual obligations
    - Step increases, Cost-of-Living-Adjustments (COLA)
  - PERS retirement costs
  - Health Insurance
- Little one-time \$ remaining to offset deficit

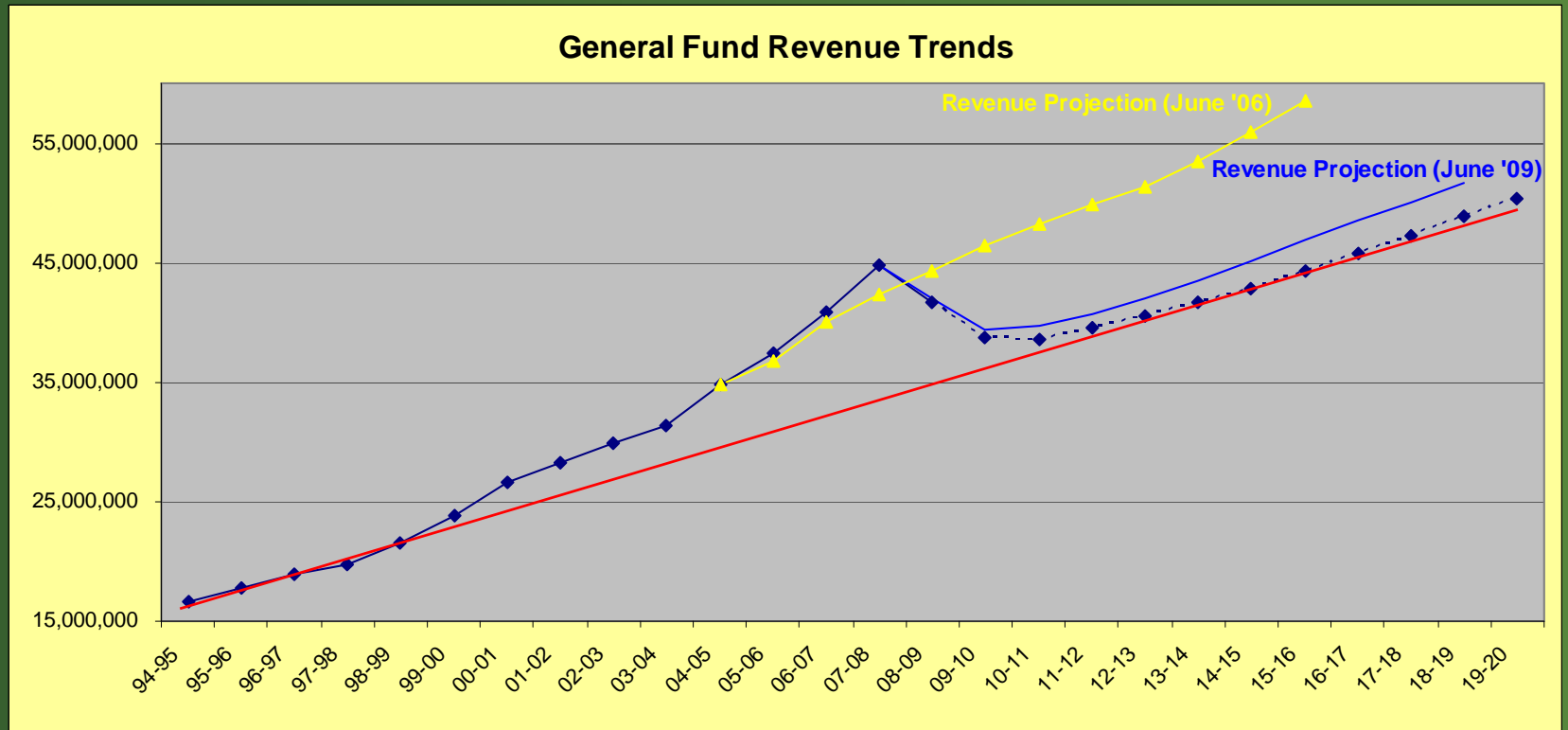
# FY2010-11 Annual Budget: Preliminary Outlook

## ■ Revenue Projections

General & Park Funds	PROJECTED 2010-11	Variance from Prior Year	Projection Assumptions
<b><u>REVENUES</u></b>			
Sales Tax	14,026,600	-2.0%	Local economic impacts of CSUC enrollment, State budget and unemployment rate
Property Tax	4,708,429	1.1%	Increase due to projected growth in home resale activity and RDA pass throughs
Property Tax In Lieu of VLF	6,763,700	0.0%	Based on Assessed Valuation, which is projected to be flat
Utility Users Tax	6,854,900	2.1%	Projected growth based on CPI + 1%
Transient Occupancy Tax	1,732,200	1.0%	Projected growth based on CPI
Other Taxes	1,872,100	1.6%	Projected growth in franchise fees, based on CPI + 1%
Total Tax Revenues	35,957,929	-0.1%	
All Other Revenues	2,852,570	0.3%	Small increase projected in Parking Fines, Licenses/Permits
Other Financing Sources	3,371,349	-19.2%	Reduced amount of available Gas Tax & TDA funding
<b>TOTAL REVENUE SOURCES</b>	<b>42,181,848</b>	<b>-1.9%</b>	

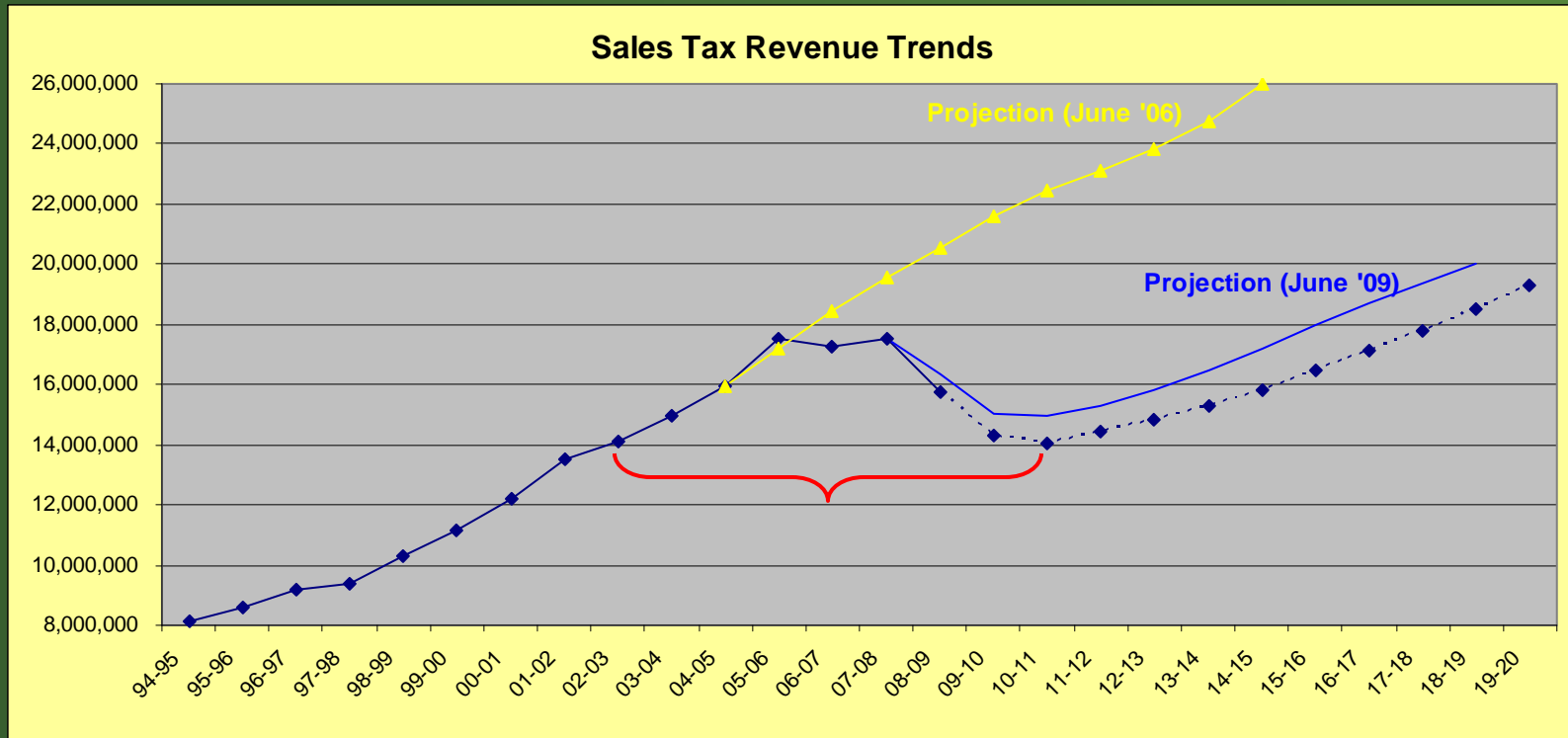
# FY2010-11 Annual Budget: Preliminary Outlook

## ■ Revenue base re-adjusted



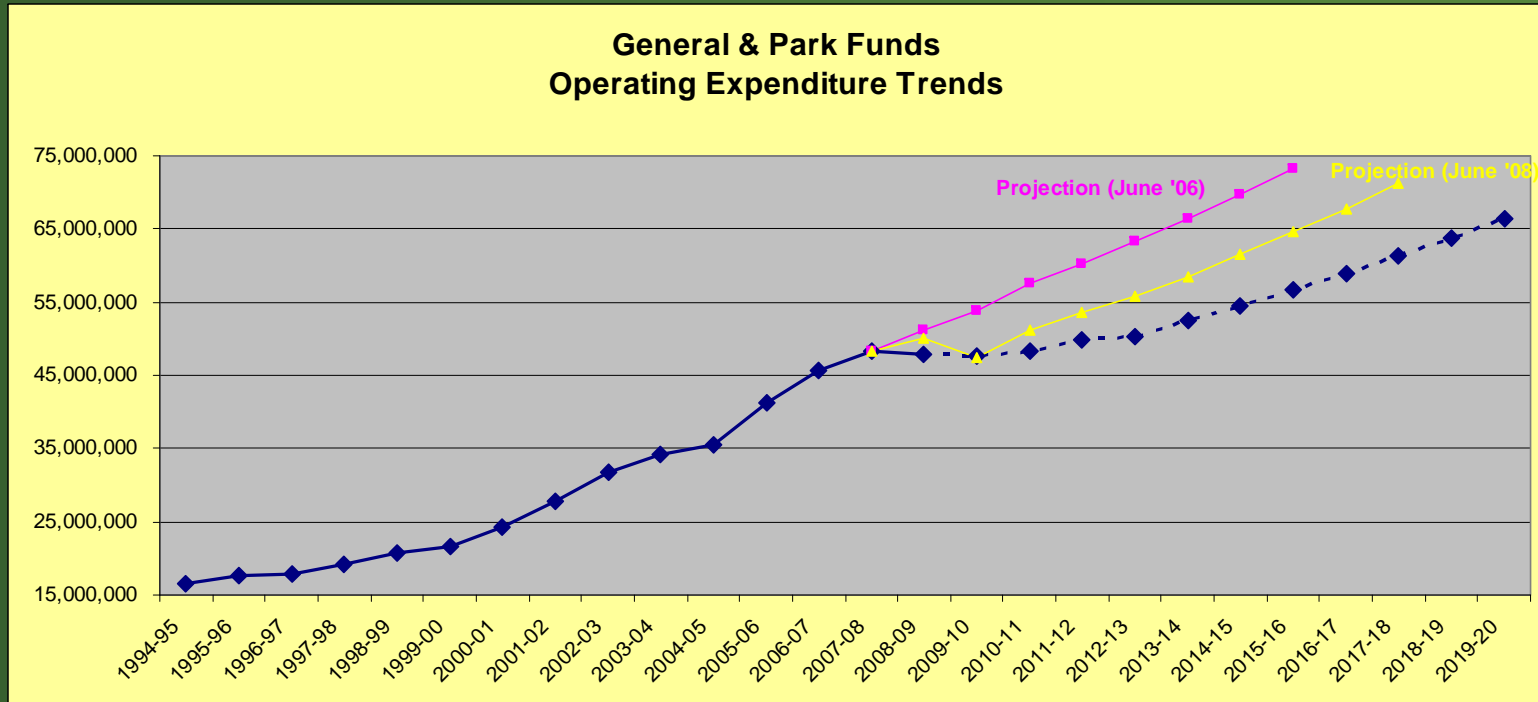
# FY2010-11 Annual Budget: Preliminary Outlook

- Sales Tax dips back to FY02-03 levels



# FY2010-11 Annual Budget: Preliminary Outlook

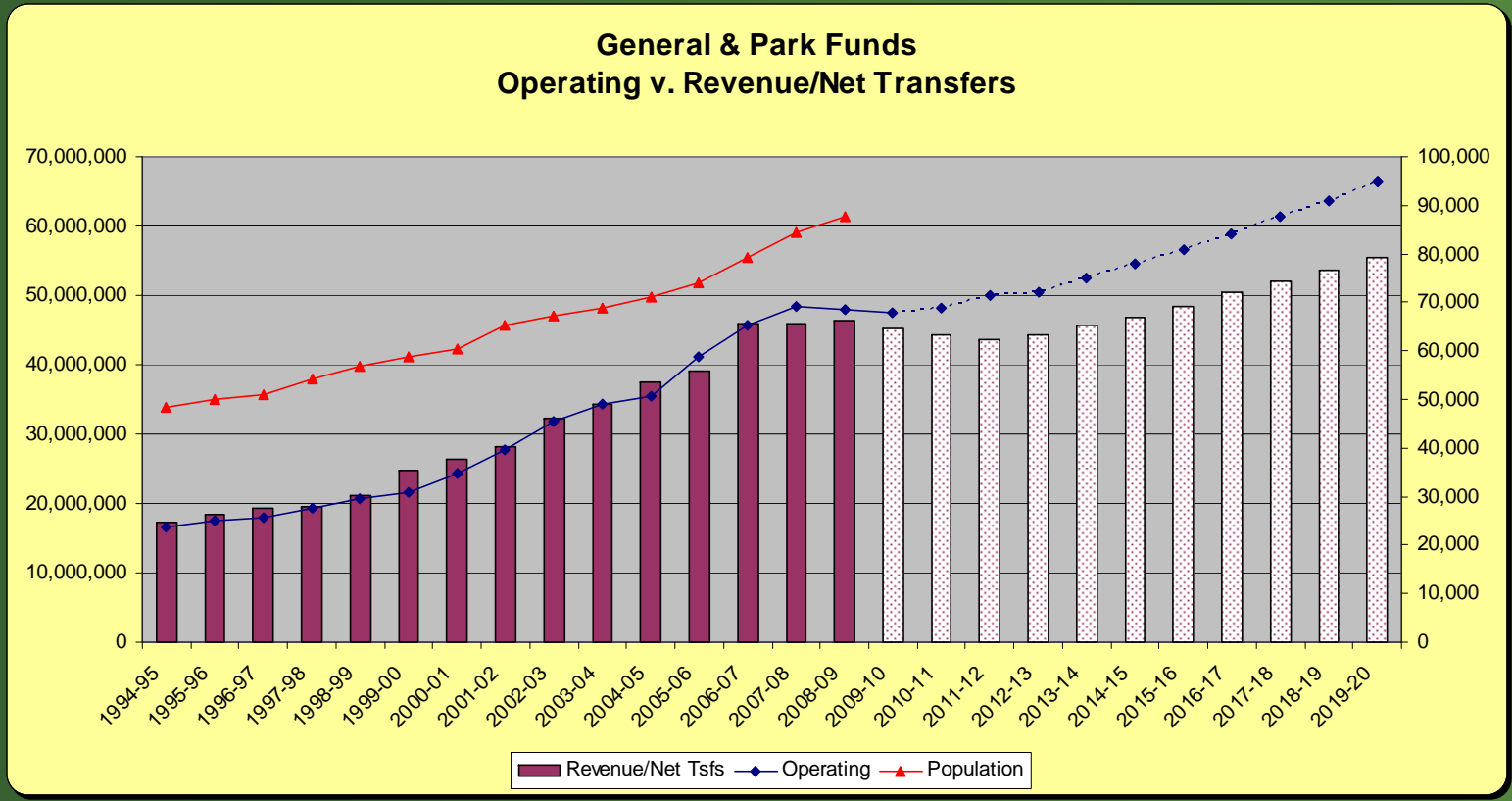
## ■ Operating Expenditure Trends



Deficit Reduction Strategy lowered cost base, but increases still expected in future years per employee contracts, rising PERS & Health Insurance costs.

# FY2010-11 Annual Budget: Preliminary Outlook

## ■ Operating, Revenue & Population Trends



# FY2010-11 Annual Budget: Preliminary Outlook

General & Park Funds	PROJECTED 2010-11	Variance from Prior Year
Total Tax Revenues	35,957,929	-0.1%
All Other Revenues	2,852,570	0.3%
Other Financing Sources	3,371,349	-19.2%
<b>TOTAL REVENUE SOURCES</b>	<b>42,181,848</b>	<b>-1.9%</b>
Salaries and Benefits	39,235,733	2.4%
Materials, Services & Supplies	2,294,276	-3.0%
Purchased Services	943,772	-3.0%
Other Expenses	1,838,360	-3.0%
Allocations	3,895,933	-3.0%
Indirect Cost Allocation	(3,634,773)	4.0%
<b>Total Operating Expenditures</b>	<b>44,573,301</b>	<b>1.2%</b>
Capital Improvement Projects	301,000	-25.0%
Other Financing Uses	1,044,515	-11.5%
<b>TOTAL EXPENDITURES</b>	<b>45,918,816</b>	<b>0.6%</b>
NET REVENUE/(DEFICIT)	(3,736,968)	
<b>BEGINNING FUND BALANCE</b>	72,061	
<b>ENDING FUND BALANCE</b>	<b>(3,664,907)</b>	

Revenue projected to stay flat throughout FY10-11.

Reduction in Other Financing Sources reflect the lower levels of available one-time funds.

Salaries & Benefits projected to increase due to rising costs.

Non-Salary expenditures reflect target decreases of 3% per category.

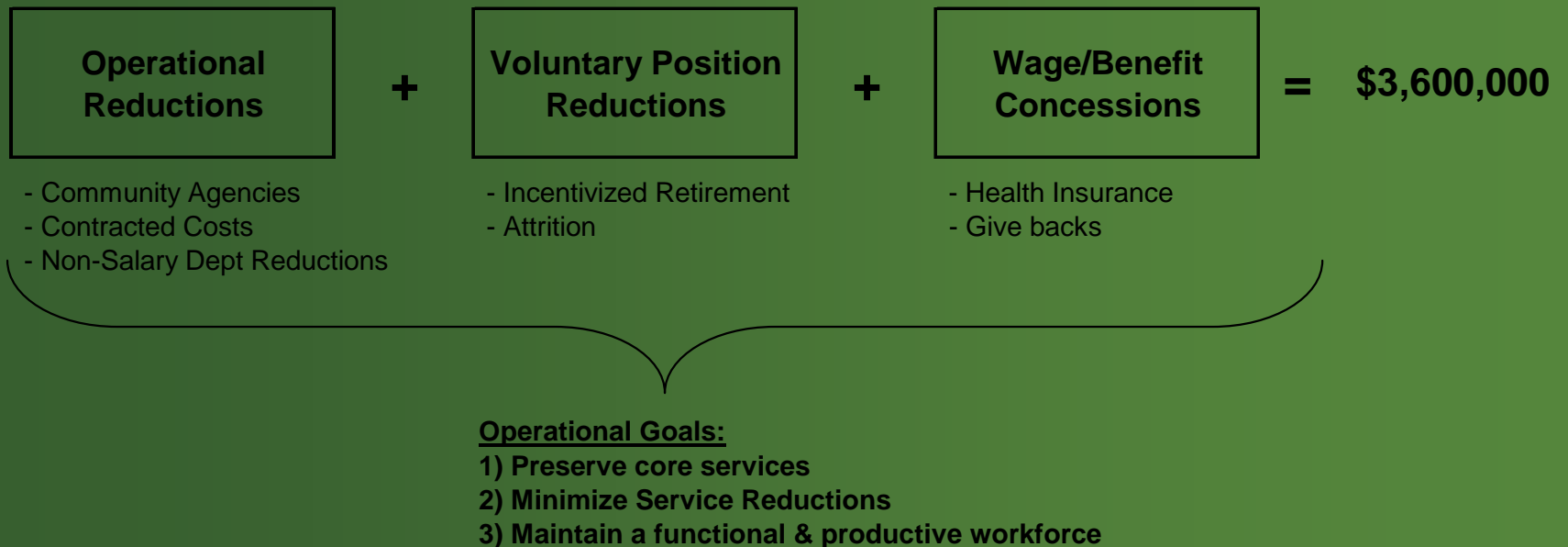
With lower revenue base & higher operating costs, an additional \$3.6M is needed to balance the fund.

# FY2010-11 Annual Budget: Preliminary Outlook

- Preparing to address a budget shortfall in the range of \$3.6 - \$4.0 million for next fiscal year.
  - Shortfall amount will vary as new information becomes available (e.g. Health Insurance rates, changes in revenue and expenditure trends, etc.)
- Reduction plan and financial solutions currently being developed.
  - Department Heads meeting weekly to prioritize core services and identify potential reductions
  - Budget Strategy Team developing reduction targets

# FY2010-11 Annual Budget: Preliminary Outlook

## ■ Summary of Reduction Measures



Questions?