



City of
Santa Rosa

Administrative Services Department

Fall Financial Update
November 25, 2008



City of
Santa Rosa

City Manager Comments

Purpose of Today's Study Session

- Convey the immediacy of the City's fiscal crisis
- Present the Fall Financial Update
- Receive feedback on deficit reduction options (List #2) in order to move into the "meet and confer" process so that staff may implement as many options as possible July 1, 2009 or sooner

It Has Not Been Business as Usual for Quite Some Time

- 37 FTE positions eliminated (08/09)
- \$5 million ongoing deficit reductions integrated
- Hiring freeze in place and City operating with vacancies
- Only critical travel/training allowed
- Vehicles have been eliminated and replacement fund balance has been reduced
- Minimal General Fund capital project funding

We are not alone

- State facing \$28 billion deficit
- Rio Vista looking at bankruptcy
- San Francisco already cut \$350M this year; facing additional deficit of at least \$90M
- Fairfield making significant reductions
- Marin County facing \$23M ongoing deficit

Significant Reductions Underway

- GF Maintenance Functions reduced >16% and 23 positions
- Staffing reduced and fees increased in many recreation programs
- GF administration departments reduced by 12%
- Ongoing new revenue sources have been aggressively pursued wherever possible

Statistics include the adopted 2008/09 budget cuts as well as the proposed cuts contained in List #1.

National Economy

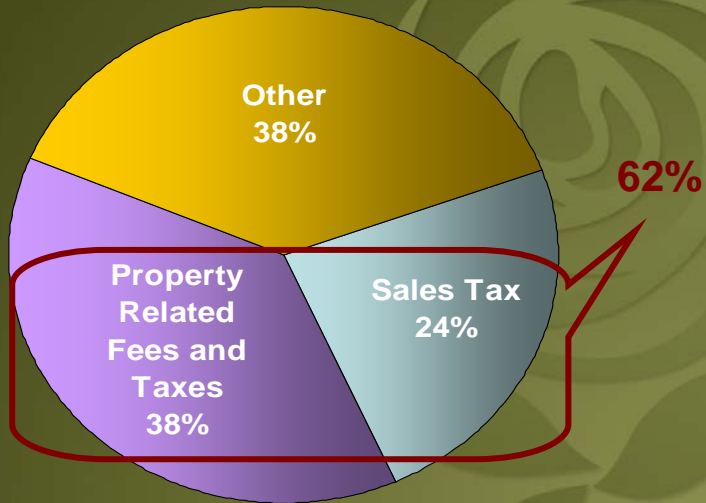
- Q3 GDP declined 0.5% – largest drop in 28 years
- Recession projected through 2009
- Appreciating dollar means exports no longer filling the gap
- Nearly 1.2 million jobs lost since December
- Unemployment rate = 6.5%; highest since 1994
- October auto sales lowest in 25 years
- Consumer confidence lowest on record
- Consumer prices dropped 1% in October

Local & Regional Economy

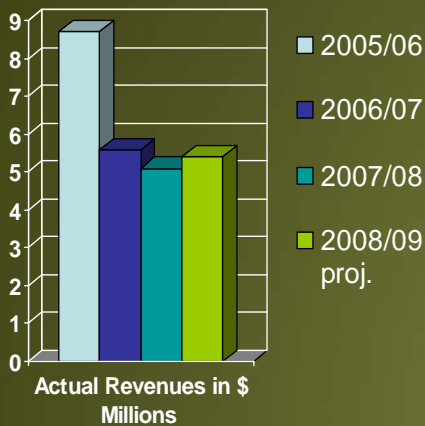
- CA unemployment = 8.2%; SoCo = 6.2%
- Retail and construction sectors struggling but a few sectors are presently stable – tech, green industries, wine, tourism
- Local office vacancy increasing
 - 27% class A, 16% class B; up from 25% and 12%
- Housing cycle continues
 - Median price down to \$362,000 – a 42% decline
 - Sales up for 7 straight months
 - 2/3 of sales in October were foreclosures



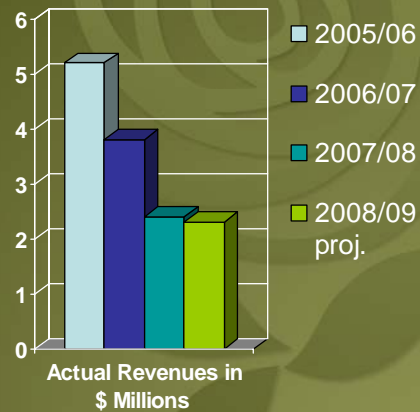
General Fund Revenue



CD Revenue History



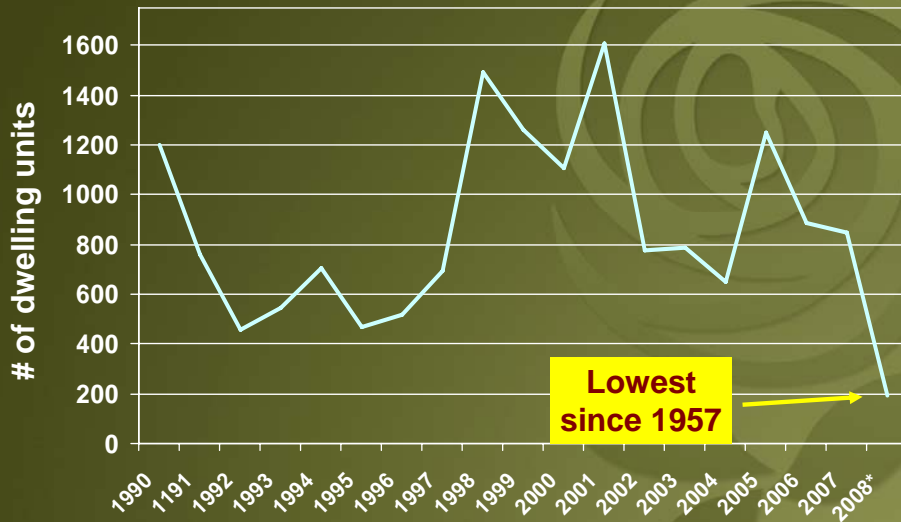
Real Property Transfer Tax History





City of Santa Rosa

New Dwelling Unit Permits

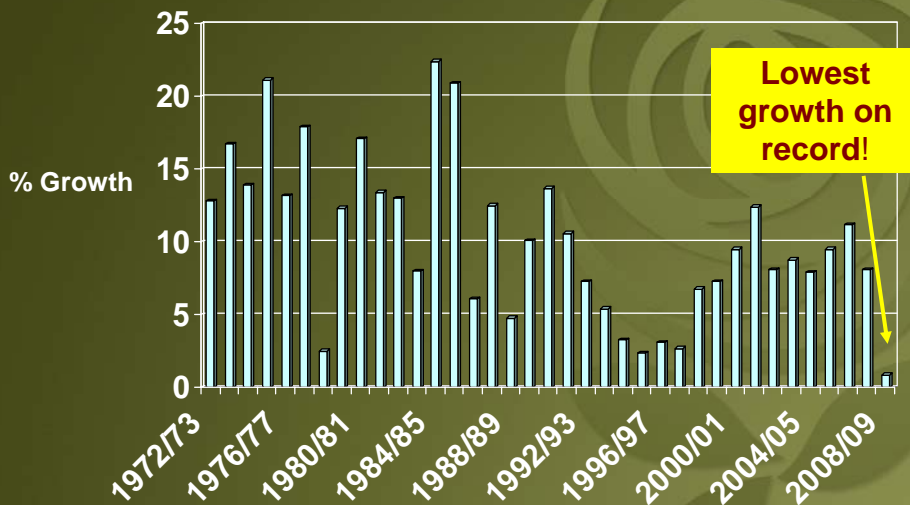


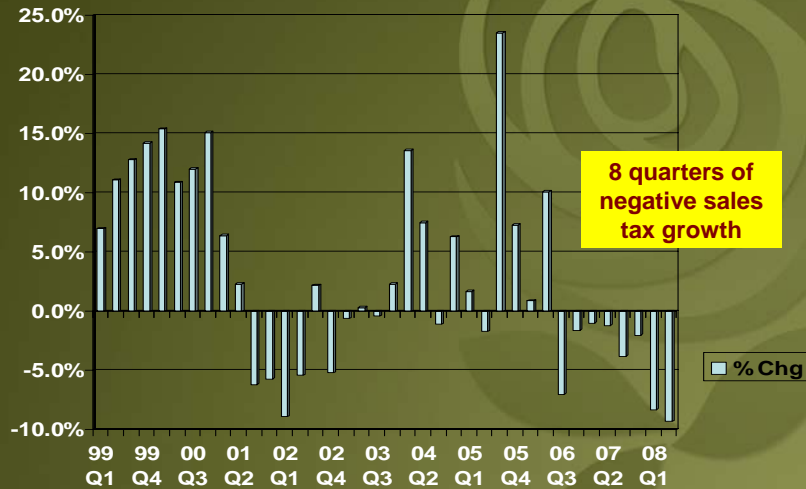
*2008 is an estimate based on data through October



City of Santa Rosa

Property Valuation Growth





Quarterly Sales Tax Detail

- General Retail down (4%)
- New car sales down (24%)
- Construction down (24%)
- Business to business down (12%)
- Drug store sales tax up 1%!



City of
Santa Rosa

08/09 Revenue Est. (\$ Millions)

Revenue:	2008/09 Current Estimate	2008/09 Budget Projection	\$ Change From Budget	% Change From Budget
Sales Tax	30.7	32.8	(2.1)	(6.4)%
Property Tax	21.9	23.0	(1.1)	(4.8)%
Vehicle License Fees	12.2	12.7	(.5)	(3.9)%
Utility Use Taxes	10.0	9.8	.2	2.0%
Other Taxes	16.0	16.5	(.5)	(3.0)%
Permits, Fines & Charges	11.3	12.3	(1.0)	(8.1)%
Intergovernmental & Interfund	13.3	13.1	.2	1.5%
Miscellaneous & Other	8.6	9.1	(.5)	(5.5)%
Total Revenues	124.0	129.3	(5.3)	(4.1)%



City of
Santa Rosa

Forecast Revenue Assumptions

	2007/08 Actual	2008/09 Assump	2009/10 Assump	2010/11 Assump	2011/12 Assump	2012/13 Assump
Sales Tax	(1.1)%	(6.0)%	(1.0)%	3.0%	6.0%	4.5%
Property Tax	4.3%	(.5)%	(1.0)%	3.0%	4.0%	5.0%
Utility Users Taxes	4.1%	2.8%	2.5%	2.5%	2.5%	2.5%
Real Property Transfer Tax	(37.7%)	(2.8)%	13.0%	30.7%	26.5%	9.3%
Charges for Services	(8.6)%	2.1%	7.9%	19.9%	14.2%	5.1%
Recreation Fees	7.6%	.5%	3.0%	3.0%	3.0%	3.0%



5-Year Forecast Summary

	07/08	08/09	09/10	10/11	11/12	12/13
Previous Forecast:	4-yr deficit ave. = \$(10.6M)					
Net Results & Reserve Policy Funding	(7.3)	(1.6)	(10.3)	(9.3)	(10.4)	(12.5)
Reserves over (under) minimum of 15%	(.7)	(2.3)	(12.6)	(21.9)	(32.3)	(44.8)
Current Forecast:	4-yr deficit ave. = \$(15.1M)					
Net Results & Reserve Policy Funding	(7.2)	(3.5)	(14.1)	(14.2)	(15.0)	(16.9)
Reserves over (under) minimum of 15%	(.6)	(4.1)	(18.2)	(32.4)	(47.4)	(64.3)



Forecast Risks

- Deeper or longer recession during 2008/09 and 2009/10
- Housing starts recovery slower
- State budget deficit impacts on local government
- Major PERS portfolio declines



Alternate Scenario Assumptions

	2007/08 Actual	2008/09 Assump	2009/10 Assump	2010/11 Assump	2011/12 Assump	2012/13 Assump
Sales Tax	(1.1)%	(9.0)%	(4.0)%	3.0%	6.0%	4.5%
Property Tax	4.3%	(.5)%	(4.0)%	0.0%	2.0%	5.0%
Utility Users Taxes	4.1%	2.8%	2.5%	2.5%	2.5%	2.5%
Real Property Transfer Tax	(37.7%)	(2.8)%	13.0%	30.7%	26.5%	9.3%
Charges for Services	(8.6)%	2.1%	7.9%	19.9%	14.2%	5.1%
Recreation Fees	7.6%	.5%	3.0%	3.0%	3.0%	3.0%

An expenditure adjustment to account for a 20% decline in PERS portfolio value has also been included beginning in 2011/12.



Alternate Scenario Forecast

	07/08	08/09	09/10	10/11	11/12	12/13
Current Forecast:	4-yr deficit ave. = \$(15.1M)					
Net Results & Reserve Policy Funding	(7.2)	(3.5)	(14.1)	(14.2)	(15.0)	(16.9)
Reserves over (under) minimum of 15%	(.6)	(4.1)	(18.2)	(32.4)	(47.4)	(64.3)
Alternate Scenario:	4-yr deficit ave. = \$(20.4 M)					
Net Results & Reserve Policy Funding	(7.2)	(4.1)	(16.8)	(18.0)	(22.5)	(24.4)
Reserves over (under) minimum of 15%	(.6)	(4.7)	(21.5)	(39.5)	(62.0)	(86.4)



Budget Deficit Growth

\$5M or More Additional Could Be Needed if Deficit Grows

Could grow to \$20M if revenues continue to decline

\$5.5M More in Reductions Needed Now

Deficit is currently projected at \$15M

\$3M in Reductions from List 2

To be reviewed later in Study Session

\$6.6M in Reductions from List 1

To be presented later this evening

\$5M in Reductions in Conjunction with 2008/09 Budget



Summary

- If immediate action isn't taken, reserves will be depleted in 1.5 years; sooner if conditions continue to worsen

Very Challenging Times Ahead

- \$15 million to \$20+ million deficit
- Between FY 2008/09 reductions, list 1 and list 2; 10% of General Fund FTE positions cut
- Must be proactive & collaborative in addressing the deficit
- Efficiencies must continue to be developed
- Revenue measures need consideration
- State & Federal funding very uncertain
- Nothing indicates things are going to get better anytime soon

Deficit Reductions Overview

	Ongoing GF \$
List 1 (coming forward later tonight)	\$6.6 million
List 2 (to be reviewed shortly)	\$3.0 million *
Subtotal	\$9.6 million
Remaining deficit	\$5.5 - \$11 million
* Note: Most list 2 measures require the finding of fiscal crisis	

List #2 Measures (1 of 3)

	<u>Dept.</u>	<u>Option Title</u>	<u>Ongoing \$</u>
1	AS	Eliminate Emergency Preparedness Program	146,606
2	EDH	Reduce Downtown Economic Program	34,000
3	EDH	Reduce Homeless Service contract with Catholic Charities	37,000
4	Fire	Rotating Brown-out of one Fire Company each day	1,500,000

Note: Most List #2 items require the finding of fiscal crisis

List #2 Measures (2 of 3)

	<u>Dept.</u>	<u>Option Title</u>	<u>Ongoing \$</u>
5	Police	Restructure cell phone plans	48,000
6	Police	Eliminate 1.0 Sr Administrative Assistant	60,000
7	Police	Eliminate 1.0 Research and Program Coordinator	100,000
8	Police	Eliminate 1.0 Community Outreach Specialist	75,000
9	Police	Eliminate 8.0 Police Officer Positions	992,000
10	Police	Eliminate 2.0 Police Technicians	140,000
11	Police	Eliminate 1.0 Police Field & Evidence Tech	90,000
12	Police	Eliminate 1.0 Police Lieutenant Position	230,000
13	Police	Eliminate 1.0 Police Sergeant Position	155,000

Note: Most items require the finding of fiscal crisis

	<u>Dept.</u>	<u>Option Title</u>	<u>Ongoing \$</u>
14	R&P	Cut 0.7 Recreation Supervisor, Modify Adult Softball Program and Increase fees in Youth Sports and Tennis Lessons	128,291
15	R&P	Reduce Customer Service and Concession Hours and Eliminate Senior Trips and Tours Program	77,797

	<u>Ongoing \$</u>
Employee Negotiations/Concessions- 4% of Payroll	3,200,000
First Responder/EMS Fee	1,400,000
Reorganizations/Other Management Reductions	300,000
Voter-Approved Revenue Measure	500,000 - 7,000,000



Next Steps

- Move forward through meet and confer regarding List #2 items & employee concessions
- Bring back List #2 for Council adoption in February
- Develop and bring forward proposals for dealing with \$5.5 to \$11 million deficit



Questions