City of Santa Rosa

Fall Financial Update

Finance Department

November 3, 2009

City of Santa Rosa

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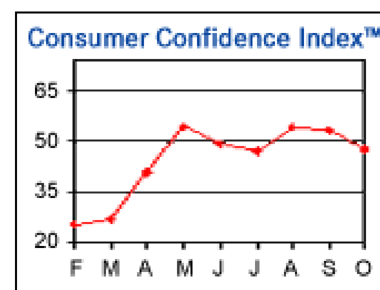
Overview comments

- Forecast significantly worse since September
  - Development related revenue decline
- Partial solutions identified
- Current year action needed
- $6M + on-going reductions/new revenues needed to balance 2010/11
- 2011/12 forward shows $9.2M average structural deficit

National Economic Update

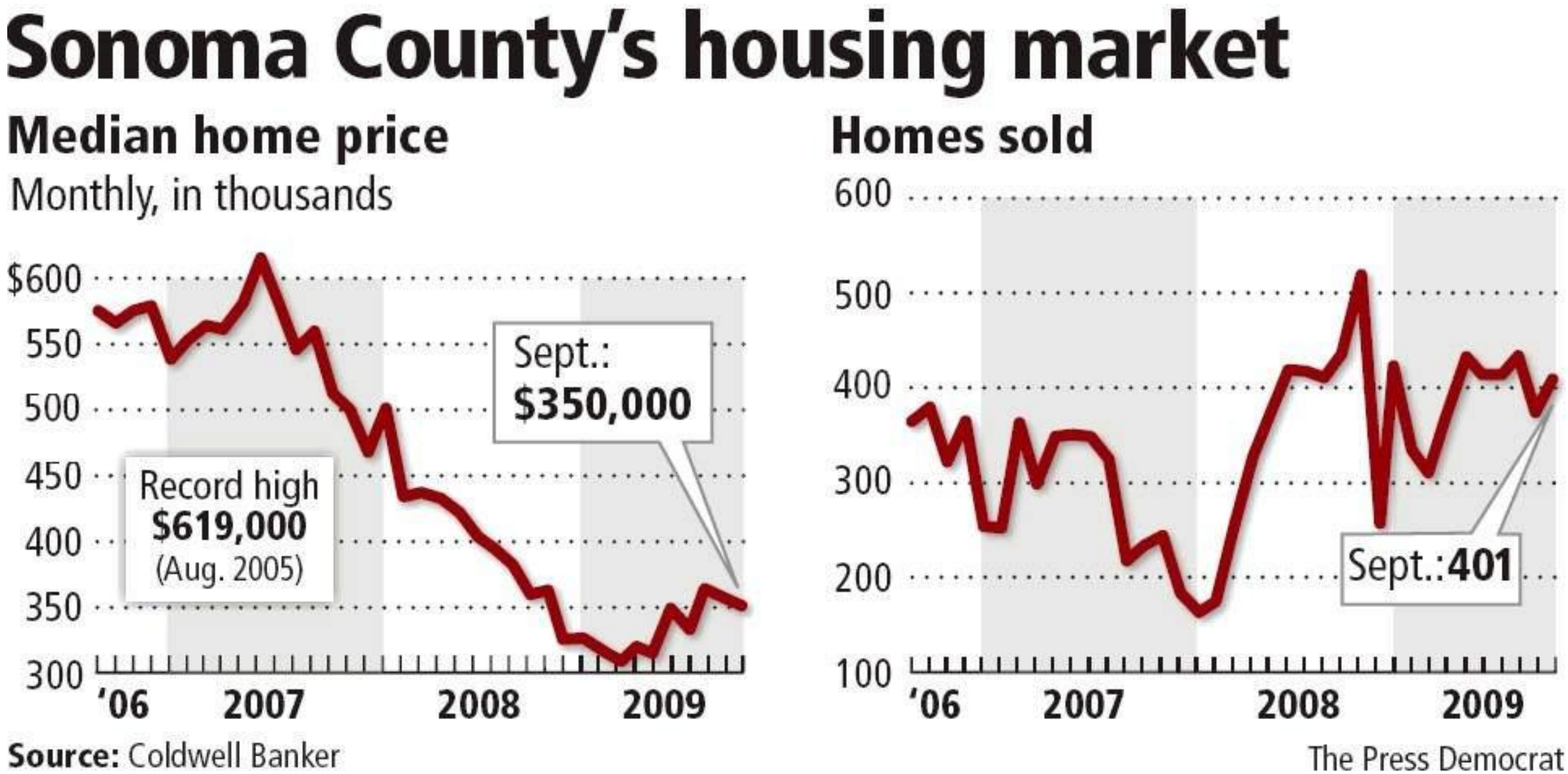
- Real GDP grew 3.5% annually in Q3
- Consumer confidence dropped in October – the Present Situation index is the lowest since 1983
- Unemployment at 9.8% nationally
- Since Dec 2007, 7.2 million net job losses
- Message: the recession is probably over, but it will be a long, slow recovery
- Commercial real estate defaults are a looming problem nationwide



Local / Regional Economic Update

- Housing continues to work itself out
  - Inventory down almost 50% from a year ago
  - County median has gone from $305k in Feb to $350k in Sept
  - Home prices most affordable in 20 years
- Local unemployment at 9.9%; California up to 12.2%
- Personal income not expected to grow until 2011
- Commercial vacancies rising – commercial and industrial at 16% in SR
- Sonoma County is now 2% below US average for cost of doing business

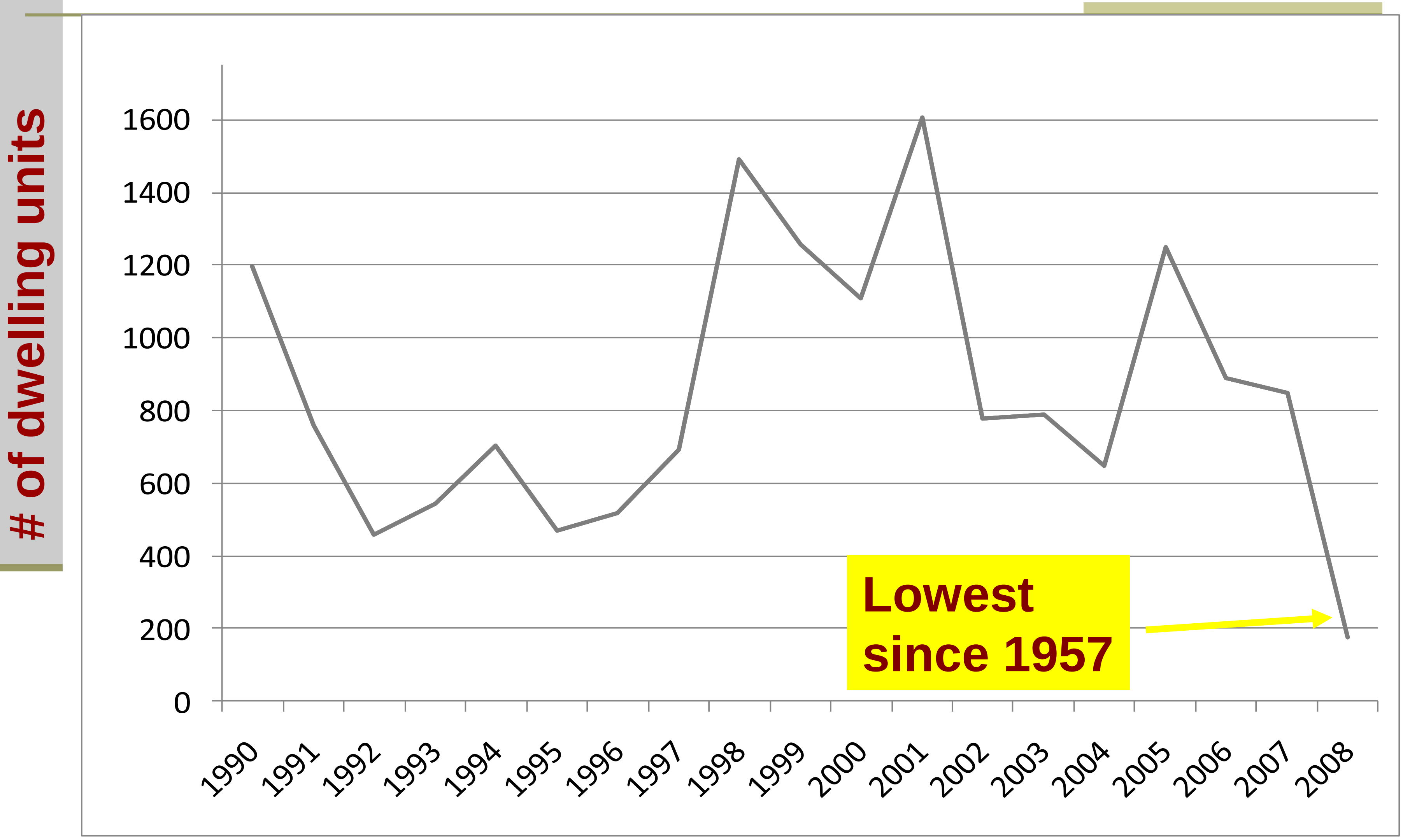
City of
Santa Rosa



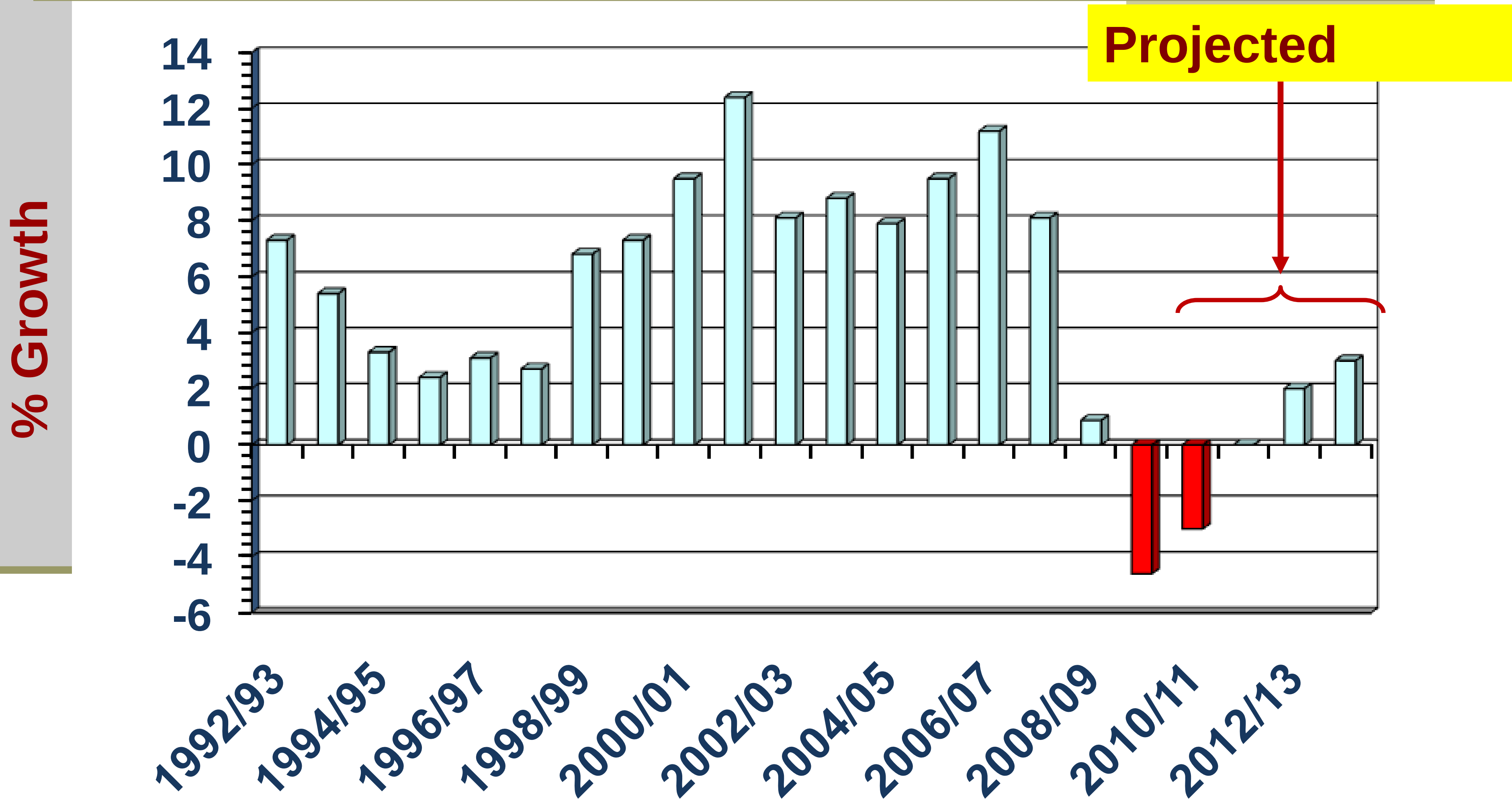
Revenue Facts and Trends

- 2009 Q2 was our 12th consecutive negative sales tax quarter – down over 17%
- The city issued a total of 4 new dwelling unit building permits during 2009 Q3
  - This compares with 80 in same period in 2008
  - A total of 90 units in the first 9 months of 2009
- CPI trending about 1% lower than 2008
- Assessor may not increase existing properties 2%

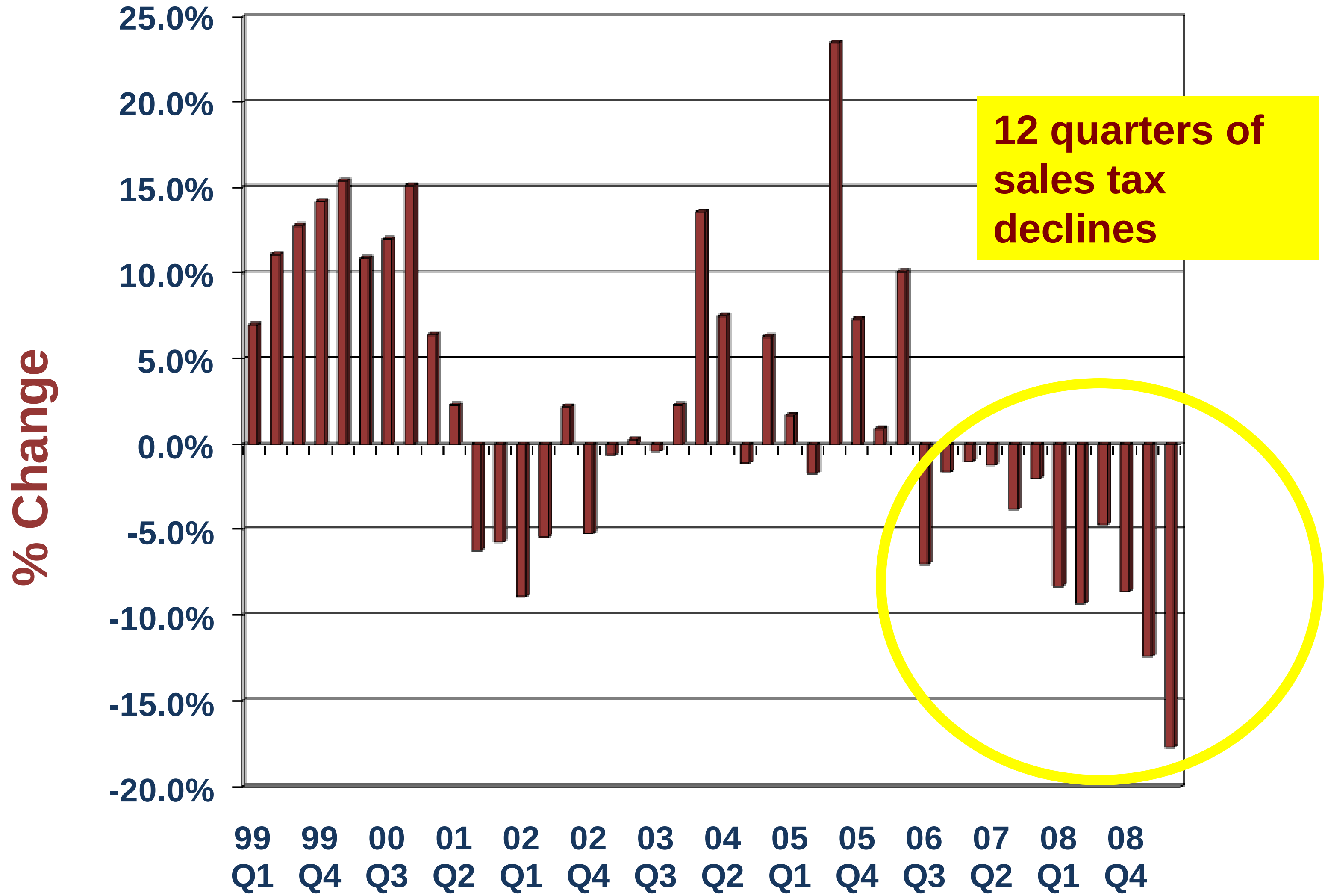
New Dwelling Unit Permits at Historic Lows



Property Valuation Decline



Sales Tax Decline Continues



09/10 Revenue ($ Millions)

Revenue:	2009/10 Current Estimate	2009/10 Budget Projection	$ Change From Budget	% Change From Budget
Sales Tax	25.2	28.3	(3.1)	(11.0)%
Property Tax	20.7	20.4	0.3	+1.5%
Vehicle License Fees	11.6	11.3	0.3	+2.7%
Utility Use Taxes	9.7	10.0	(0.3)	(3.0)%
Other Taxes	14.7	15.3	(0.6)	(3.9)%
Permits, Fines & Charges	**7.4**	9.7	**(2.3)**	**(23.7)%**
Intergovernmental & Interfund	12.8	13.3	(0.5)	(3.8)%
Miscellaneous & Other	7.5	7.7	(0.2)	(2.6)%
Total Revenues	109.6	116.0	(6.4)	(5.5)%

Forecast Revenue Assumptions

	2009/10 Assump.	2010/11 Assump.	2011/12 Assump.	2012/13 Assump.	2013/14 Assump.
Sales Tax	(10.6)%	3.0%	3.0%	3.5%	3.5%
Property Tax	(3.7)%	(3.0)%	0%	2.0%	3.0%
Vehicle License Fees	(4.6)%	(3.0)%	0%	2.0%	3.0%
Occupancy Tax	(7.5)%	4.0%	4.0%	4.0%	4.0%
Permits, Fines, Charges	(13.6)%	21.0%	16.9%	7.9%	6.2%
Interfund / Intergov.	6.9%	4.6%	3.1%	4.7%	4.7%

5-Year Forecast Summary- June 2009

	08/09	09/10	10/11	11/12	12/13	13/14
FY 2009/10 Budget Forecast:			*4 Year deficit avg. = $(8.4M)*			
Net Results & Reserve Policy Funding	*(3.1)*	*3.7*	*(1.6)*	*(8.1)*	*(10.9)*	*(13.1)*
Reserves over (under) minimum of 15%	*(3.7)*	*-*	*(1.6)*	*(9.7)*	*(20.6)*	*(33.7)*

- FY 09/10 balanced
- $26M reductions/concessions/use of Measure O reserves
- 92 General Fund positions eliminated

5-Year Forecast Summary- September 2009

	08/09	09/10	10/11	11/12	12/13	13/14
September 1 Forecast :			*4 Year deficit avg. = ($10.6M)*			
Net Results & Reserve Policy Funding	*(4.0)*	*1.4*	*(4.4)*	*(10.7)*	*(12.7)*	*(14.8)*
Reserves over (under) minimum of 15%	*(4.5)*	*(3.1)*	*(7.5)*	*(18.2)*	*(30.9)*	*(45.7)*

- Sales tax $(3.1)M reduction

5-Year Forecast Summary- Current

	08/09	09/10	10/11	11/12	12/13	13/14
Current Forecast:				*3 Year deficit avg. = (9.2M)*		
Net Results & Reserve Policy Funding	(3.6)	3.1	1.1	(4.7)	(9.2)	(13.6)
Reserves over (under) minimum of 15%	*(4.2)*	*(1.1)*	-	*(4.7)*	*(13.9)*	(27.5)

- Development related revenues decline $(2.1)M
- Other revenues decline $(1.3)M
- Expenditure increases (ADA, NPDES, other) $(1.2)M
- Proposed strategies:
  - $1.7M solid waste franchise extension
  - $2.1M development services reductions ($1.0M in 2009/10)
  - $6.0M other expenditure reduct/revenue incr ($2.4M in 2009/10)

Five Year Forecast

	08/09	09/10	10/11	11/12	12/13	13/14
Revenues	114.7	111.3	114.1	118.3	122.7	127.1
Net - Transfers In/(Transfers Out)	4.6	(.2)	(1.2)	(1.5)	(1.6)	(1.7)
Expenditures	123.8	110.1	111.6	120.2	129.0	137.7
Net Results	**(4.5)**	**1.0**	**1.3**	**(3.4)**	**(7.9)**	**(12.3)**
Add'l to fund Reserve Policy	.9	2.1	(.2)	(1.3)	(1.3)	(1.3)
Total Surplus/(Deficit)	**(3.6)**	**3.1**	**1.1**	**(4.7)**	**(9.2)**	**(13.6)**
Reserves over (under) minimum of 15%)	***(4.2)***	***(1.1)***	***-***	***(4.7)***	***(13.9)***	***(27.5)***

Above forecast includes:

Solid waste franchise ext revenue	-	1.7	1.8	1.9	2.0	2.1
Development services reductions	-	*1.0*	*2.1*	*2.1*	*2.2*	*2.3*
Other exp reductions/revenue incr	-	*2.4*	*6.0*	*6.2*	*6.4*	*6.6*

FY 09/10, 10/11 Budget Strategy

- Decreases in forecast offset by:
  - Proposed solid waste franchise extension revenue - $1.7M
  - Proposed Development Services expenditure reductions
    - $1M (09/10); $2.1M (10/11)
  - Add’l expenditure reductions/revenue incr
    - $2.4M (09/10); $6M (10/11)

City of Santa Rosa

Next Steps

- Franchise extension – to Council 11/17/09
- Development Services – return to Council with recommendations early December
  - Council action and meet & confer
  - Implementation targeted for mid-year 09/10
- Departments to develop recommendations for additional reductions – November/December
- Revenue Options for November 2010 ballot outlined
- Mid-Year Update / Budget Priorities Public Hearing - January

Messages

- Forecast significantly worse since September
  - Development related revenue decline
- Partial solutions identified
- Current year action needed
- $6M + on-going reductions/new revenues needed to balance 2010/11
- 2011/12 forward shows $9.2M average structural deficit
- Additional revenue sources critical

Measure O Fiscal Crisis - Use of Funds

- Police
  - 19 sworn positions preserved
- Fire
  - Partial mitigation of second rotating brownout
  - 3 Firefighter positions preserved

Winter/Spring 2010 - Citizen Oversight Committee review followed by Council report seeking to extend the finding of fiscal crisis consistent with employee concessions already secured

Questions/Discussion