



City of
Santa Rosa

Administrative Services Department

Spring Financial Update

April 21, 2009

1. Overview

2. Economic Update

3. Revenues

4. Updated Five Year Forecast

5. Next Steps

6. Questions and Answers

Overview comments

- Collaborative effort
 - Public input
 - BDAG
 - Employees/Bargaining Units
- Message by public to reduce staff and make the hard decisions
- Longer term discussion about sustainability and service levels desired by the community

Highlights

- Revenue down additional \$3.5M ongoing
- Balanced for FY 09/10 and close to being balanced in FY 10/11
 - meets 15% reserve target
- Given the extreme circumstances, City is in a good position
- City has time to collaboratively solve future deficit
- Risks continue to exist

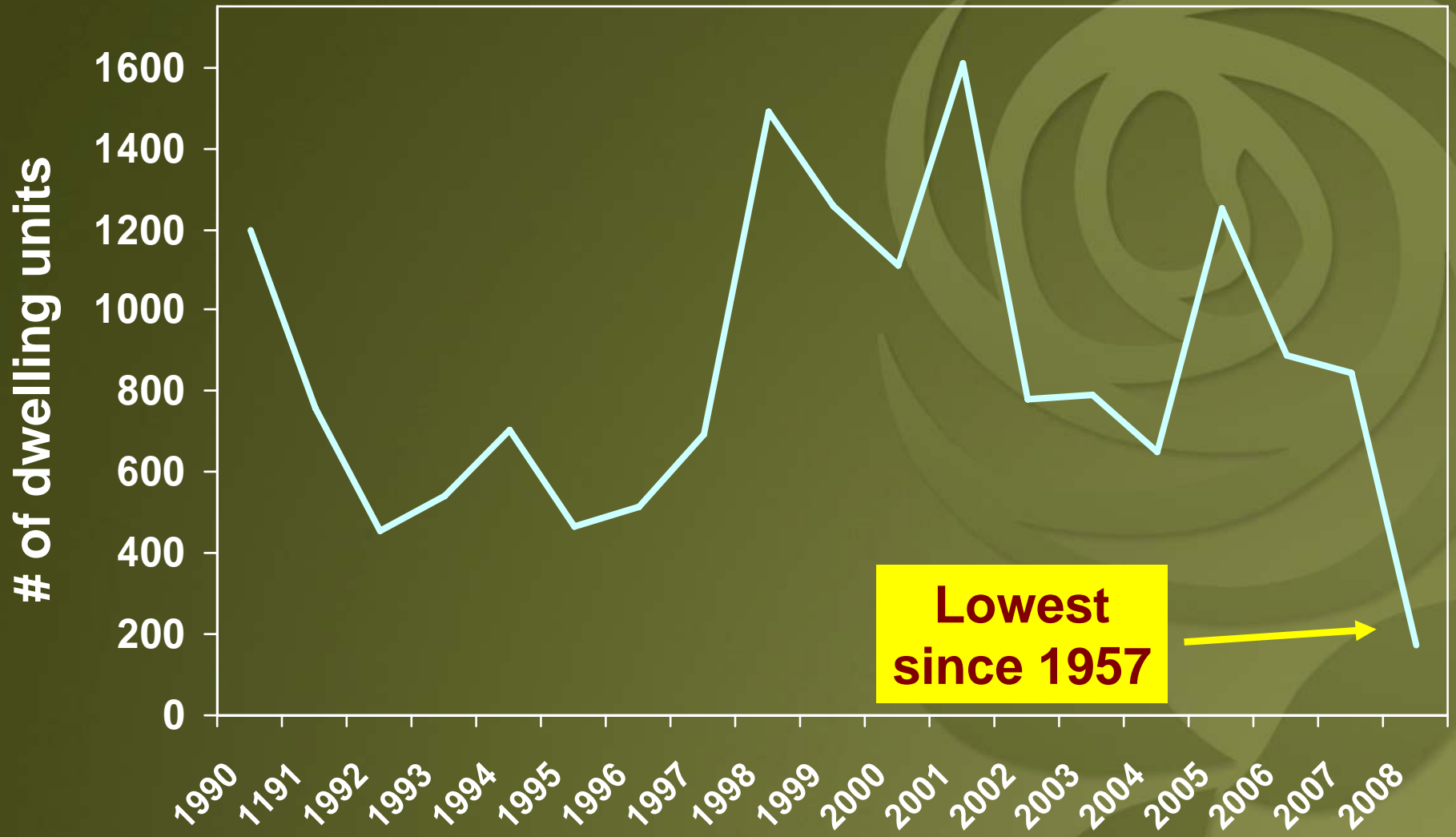
National Economy – recession continues

- Over 6 million currently on unemployment
- Unemployment was 8.5% in March
- Industrial production and production capacity continue decline
- Retail sales down unexpectedly in March
- Housing starts plummeted in March – 10% - second lowest level in 50 years
- Foreclosures surged in the 1st quarter

Signs of a bottom?

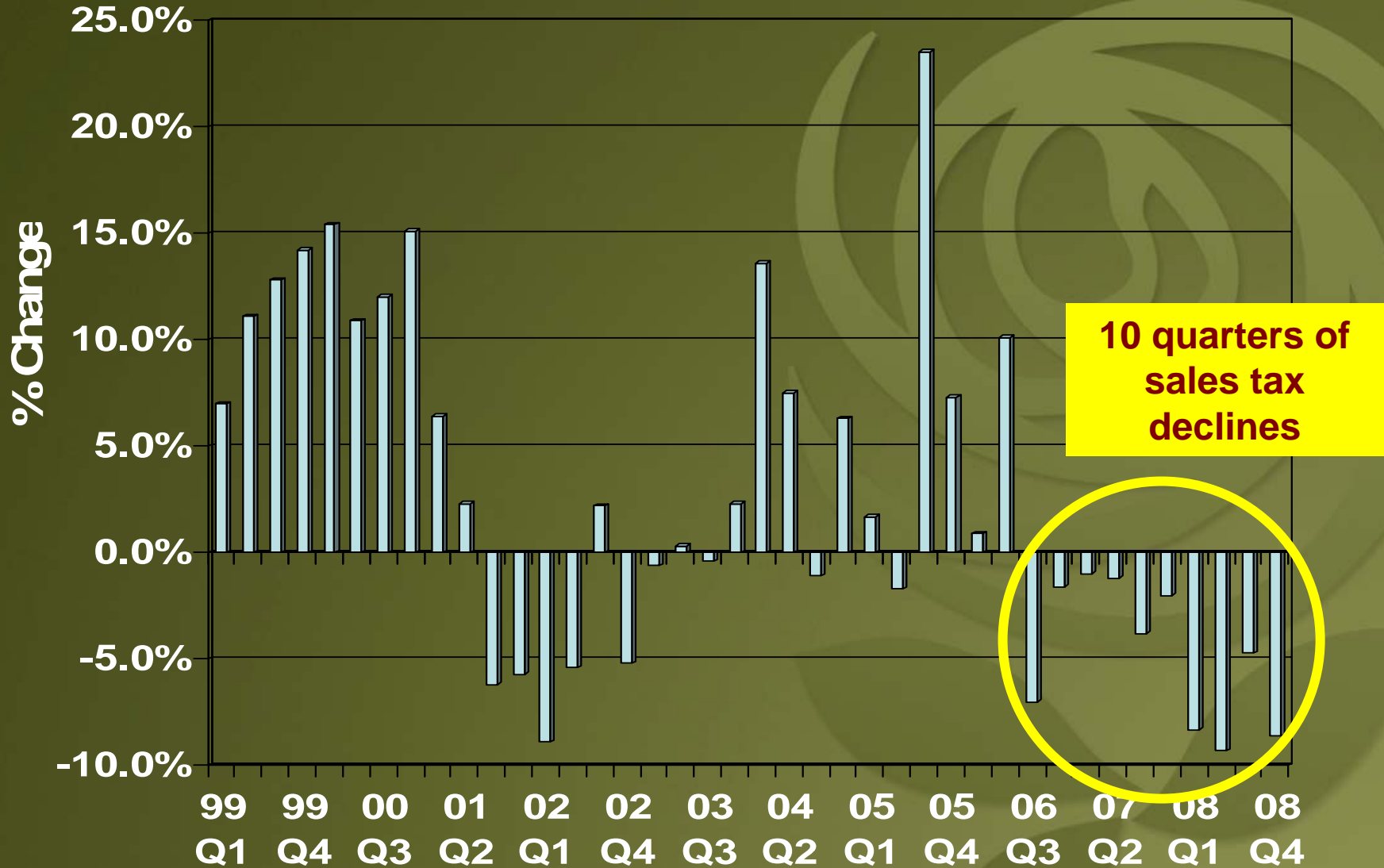
- New unemployment claims have been down the last 2 weeks
- Retail sales were up in February
- Home builder sentiment jumped in April
- Consumer confidence, while still historically low, ticked up in March
- Some sectors in some areas have stabilized
- County home sales continue to rally – up 40% in March
- County home inventory down to 4.5 months

New Dwelling Unit Permits at Historic Lows





Sales Tax Decline Continues



08/09 Revenue (\$ Millions)

Revenue:	2008/09 Current Estimate	2008/09 Budget Projection	\$ Change From Budget	% Change From Budget
Sales Tax	30.0	32.8	(2.8)	(8.5)%
Property Tax	21.7	23.0	(1.3)	(5.7)%
Vehicle License Fees	12.1	12.7	(.6)	(4.7)%
Utility Use Taxes	10.1	9.8	.3	3.1%
Other Taxes	14.9	16.5	(1.6)	(9.7)%
Permits, Fines & Charges	8.8	12.3	(3.5)	(28.5)%
Intergovernmental & Interfund *	11.4	11.1	.3	2.7%
Miscellaneous & Other	8.4	9.1	(.7)	(6.3)%
Total Revenues	117.4	127.3	(9.9)	(7.8)%

*Note: \$2 Million removed from revenues and expenditures for CAD project transfer to JPA

Revenues down \$3.5M annually from Mid-Year Review

- Property Tax
- Sales Tax
- CD Revenues
- Other Taxes
- Interest earnings

Forecast Revenue Assumptions

	2008/09 Assump	2009/10 Assump	2010/11 Assump	2011/12 Assump	2012/13 Assump	2013/14 Assump
Sales Tax	(8.2)%	(-5.5)%	3.0%	5.0%	4.5%	4.5%
Property Tax	(1.1)%	(6.0)%	(2.0)%	0%	2.0%	3.0%
Utility Users Taxes	3.6%	(1.1)%	2.5%	2.5%	2.5%	2.5%
Real Property Transfer Tax	(0.7)%	8.0%	34.0%	26.5%	9.3%	3.5%
Charges for Services	(24.5)%	10.9%	22.4%	13.4%	6.8%	5.1%
Recreation Fees	.4%	3.1%	3.0%	3.0%	3.0%	3.0%

5-Year Forecast Summary

	08/09	09/10	10/11	11/12	12/13	13/14
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Previous Forecast:

4-yr deficit ave. = \$(23.4M)

Net Results & Reserve Policy Funding	(5.5)	(18.9)	(21.2)	(25.4)	(28.3)	
<i>Reserves over (under) minimum of 15%</i>	(6.1)	(25.0)	(46.2)	(71.6)	(99.9)	

Current Forecast:

4-yr deficit ave. = \$(8.2M)

Net Results & Reserve Policy Funding	(3.1)	3.9	(1.9)	(7.3)	(10.8)	(12.9)
<i>Reserves over (under) minimum of 15%</i>	(3.7)	.2	(1.7)	(9.0)	(19.8)	(32.7)

FY 09/10 Budget Balanced

- Decrease in revenue offset by:
 - Dept's held the line in FY 08/09
 - Flat services and supplies
 - Smaller budget means smaller reserve target

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Future Issues to be Addressed

- Seeking ongoing concessions from remaining units
- Two-tier retirement
- Additional revenue
- Expiration of Police and Fire agreements

Forecast Risks

- State budget impacts on local government including May 11th revenue ballot initiatives
- Deeper or longer recession
- Major PERS portfolio declines

Upcoming Dates

- Budget Subcommittee
 - 4/30 and 5/5
- Mid - May: CIP Review Study Session
- Mid - May: Community Promotions Report Item
- June 2: Preliminary Budget available for public review
- June 17-19: Budget Hearings

Messages

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- Balanced for FY 09/10 and close to being balanced in FY 10/11
- Given the extreme circumstances, City is in a good position
- City has time to collaboratively solve future deficit
- Risks continue to exist
- Longer term discussion about sustainability, service levels desired by the community, and funding

Questions/Discussion