

# Financial Outlook: Budget Update

April 13, 2009



# Financial Outlook: Budget Update

## Revenue



# FY08/09 Approved Budget

	<u>Adopted Budget FY 2008/2009</u>	<u>% of Total</u>
Ad Valorem Taxes	\$139,426,581	37.56%
OUC Dividend	47,580,000	12.82%
Utilities Services Tax	45,308,404	12.20%
Federal/State Revenue	43,213,988	11.65%
Other Revenue	41,803,731	11.26%
Franchise Fees	32,306,585	8.70%
Charges for Services	14,418,880	3.88%
Business Taxes	7,180,000	1.93%
<b>Total</b>	<u><u>\$371,238,169</u></u>	<u><u>100.00%</u></u>

# FY08/09 Revised Budget

(after 4/13 Adjustment)

	<u>Revised Budget FY 2008/2009</u>	<u>% of Total</u>
Ad Valorem Taxes	\$138,134,138	37.57%
OUC Dividend	47,580,000	12.94%
Utilities Services Tax	45,308,404	12.32%
Other Revenue	42,300,967	11.51%
Federal/State Revenue	40,280,930	10.96%
Franchise Fees	32,306,585	8.79%
Charges for Services	14,575,880	3.96%
Business Taxes	7,180,000	1.95%
<b>Total</b>	<u><u>\$367,666,904</u></u>	<u><u>100.00%</u></u>

# Current Year Revenue Losses

(after 4/13 Adjustment)

• Ad-Valorem Revenue	\$1.3
• State Sales Tax	2.1
• Municipal Rev. Sharing	0.5
<b>Total</b>	<b>\$3.9*</b>

\* Budget amended through use of contingency

# Projected Changes for 2010\*

(in millions)

• Ad-Valorem Revenue	\$ (10.0)
• State Sales Tax	(1.3)
• Municipal Rev. Sharing	(0.4)
• Revenue from OUC	1.2
• Use of Reserves	(9.7)
• Utility Services Tax	2.0
<b>Total</b>	<b>\$ (18.2)</b>

\* Accounted for 80% of FY08/09 Total Revenue

# Ad-Valorem Revenue

- Projections assume a 7.5% reduction in the taxable base and a millage rate of 5.65
  - Best Estimate Letter – end of May
- Each 1% change = \$1.3 million

# Ad-Valorem Revenue: Homestead Property

- Growth in taxable value of homestead property is limited by the greater of 3% or the change in CPI
- For FY2010, the change in CPI is .1%

# Ad-Valorem Revenue: Homestead Property

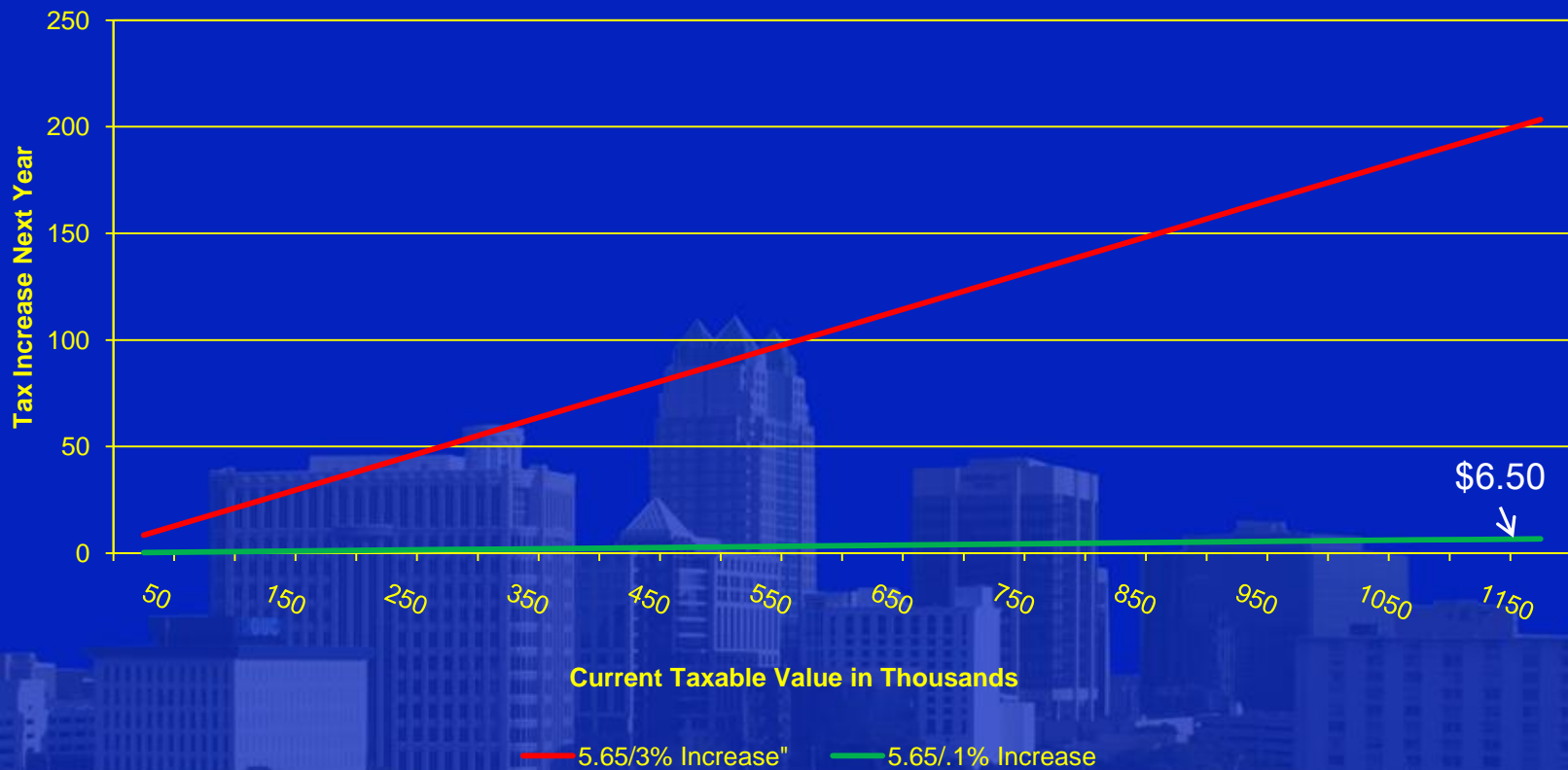
FY2009 Taxable Value \$4,363,338,659

FY2010 Maximum Growth \$4,363,339

Increase in Ad-Valorem Revenue\* \$24,652

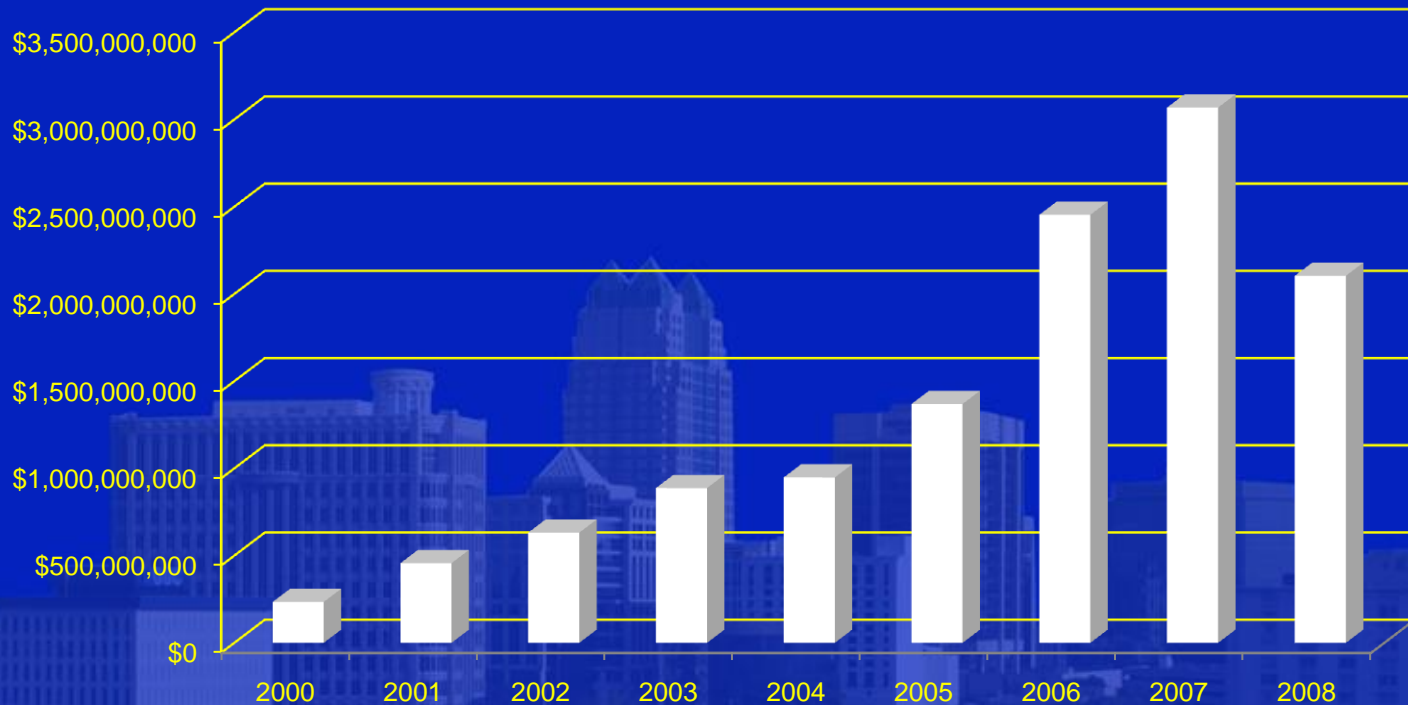
\*Assuming property value grows .1% and a millage rate of 5.65

# Ad-Valorem Revenue: Homestead Property



# Ad-Valorem Revenue: Homestead Property

## SOH Savings



# Ad-Valorem Revenue: Homestead Property

FY	Just Value	#	Average
2005	4,606,287,422	32,456	141,924
2006	5,564,252,485	33,514	166,028
2007	7,532,428,574	35,235	213,777
2008	9,112,577,733	37,079	245,761
2009	8,410,089,790	37,723	222,943

# Ad-Valorem Revenue: Non-Homestead Property

- Growth in taxable value of non-homestead property is limited to 10%
- Every indicator is pointing towards a downturn in non-homestead property valuation

# Property Tax Reform: Impact on Future Revenue Realization

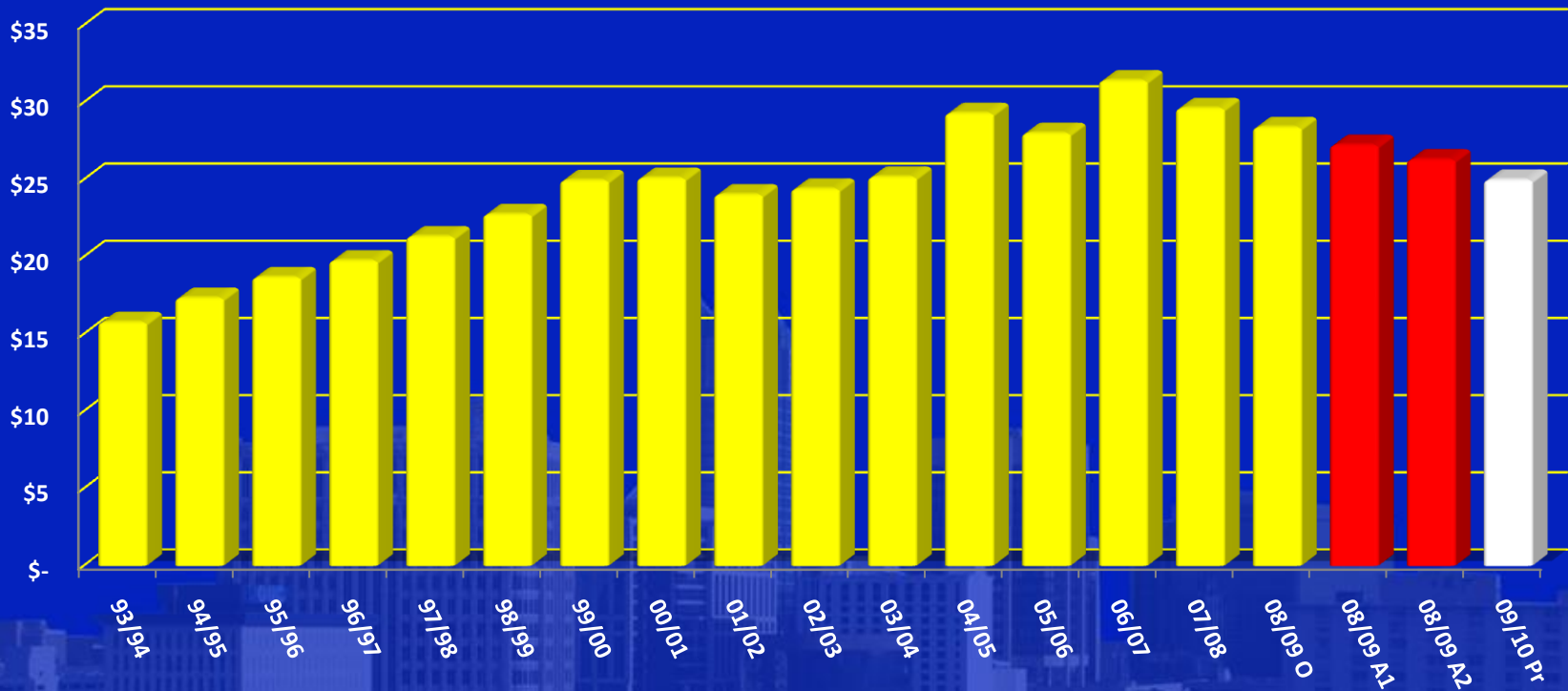
	<u>Non-Homestead</u>	<u>Homestead</u>	<u>Total</u>
FY2009 Taxable Value	21,078,058,629	4,363,338,659	25,441,397,288
Maximum Permitted Growth	10%	3%	
Allowable Growth in Value	2,107,805,863	130,900,160	2,238,706,023
Revenue at 5.65	11,909,103	739,586	12,648,689
FY2009 Budget			371,238,169
As Percentage of Total Budget			3.4%

# Sales Tax

<b>08/09 Original Budget</b>	<b>28,400,147</b>	
<b>08/09 After 12/15 Adjustment</b>	<b>27,248,541</b>	<b>-4.1%</b>
<b>08/09 After 4/13 Adjustment</b>	<b>26,311,832</b>	<b>-3.4%</b>
<b>09/10 Projection</b>	<b>24,996,240</b>	
	<b>(1,315,592)</b>	<b>-5.0%</b>

# Sales Tax History

(in millions)

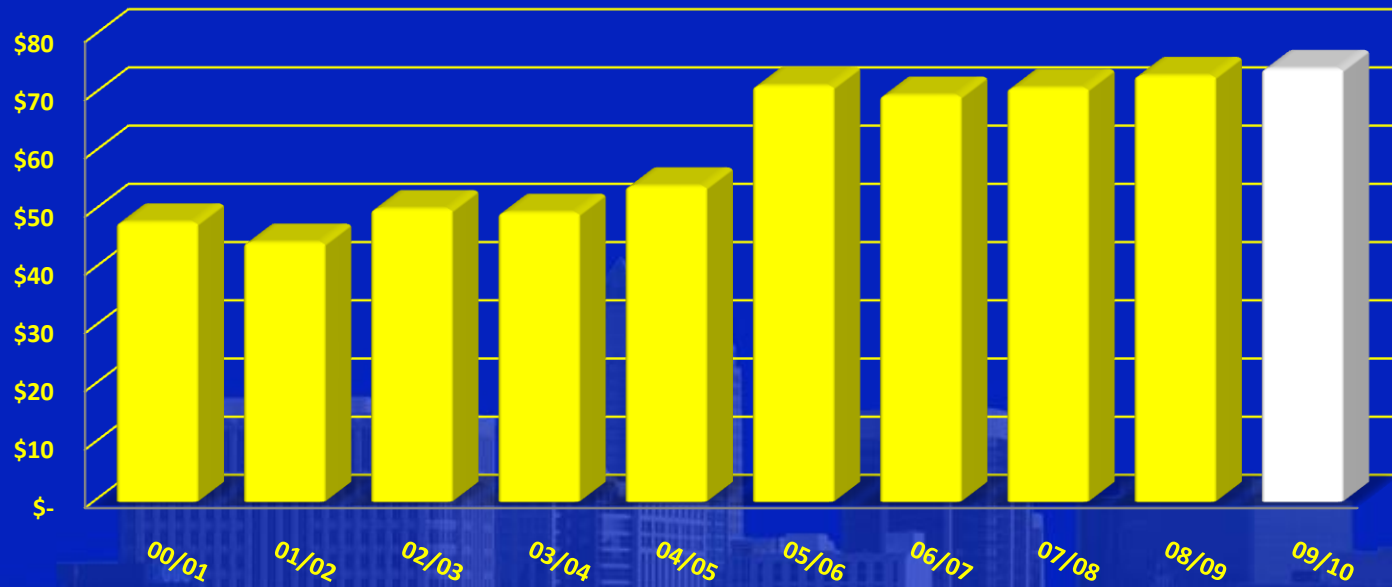


# Municipal Revenue Sharing

<b>08/09 Original Budget</b>	<b>8,800,000</b>	
<b>08/09 After 12/15 Adjustment</b>	<b>8,383,410</b>	<b>-4.7%</b>
<b>08/09 After 4/13 Adjustment</b>	<b>8,288,513</b>	<b>-1.1%</b>
<b>09/10 Projection</b>	<b>7,874,087</b>	
	<b>(414,426)</b>	<b>-5.0%</b>

# OUC Revenue

(in millions)



# Financial Outlook: Budget Update

## Expenditure Projections



# Projected Increases for 2010

(in millions)

• Pay Plan Increases	\$ 6.9
• Pension Contributions	3.0
• Health Insurance Increase	3.3
• Position Management (Attrition)	7.2
• Utility Cost Increase	1.4
<b>Total</b>	<b>\$21.8</b>

# Pay Plan Increases

(in millions)

• 2% + 2% COLA \$ 4.3

• Steps (Public Safety) 2.6

Total \$ 6.9

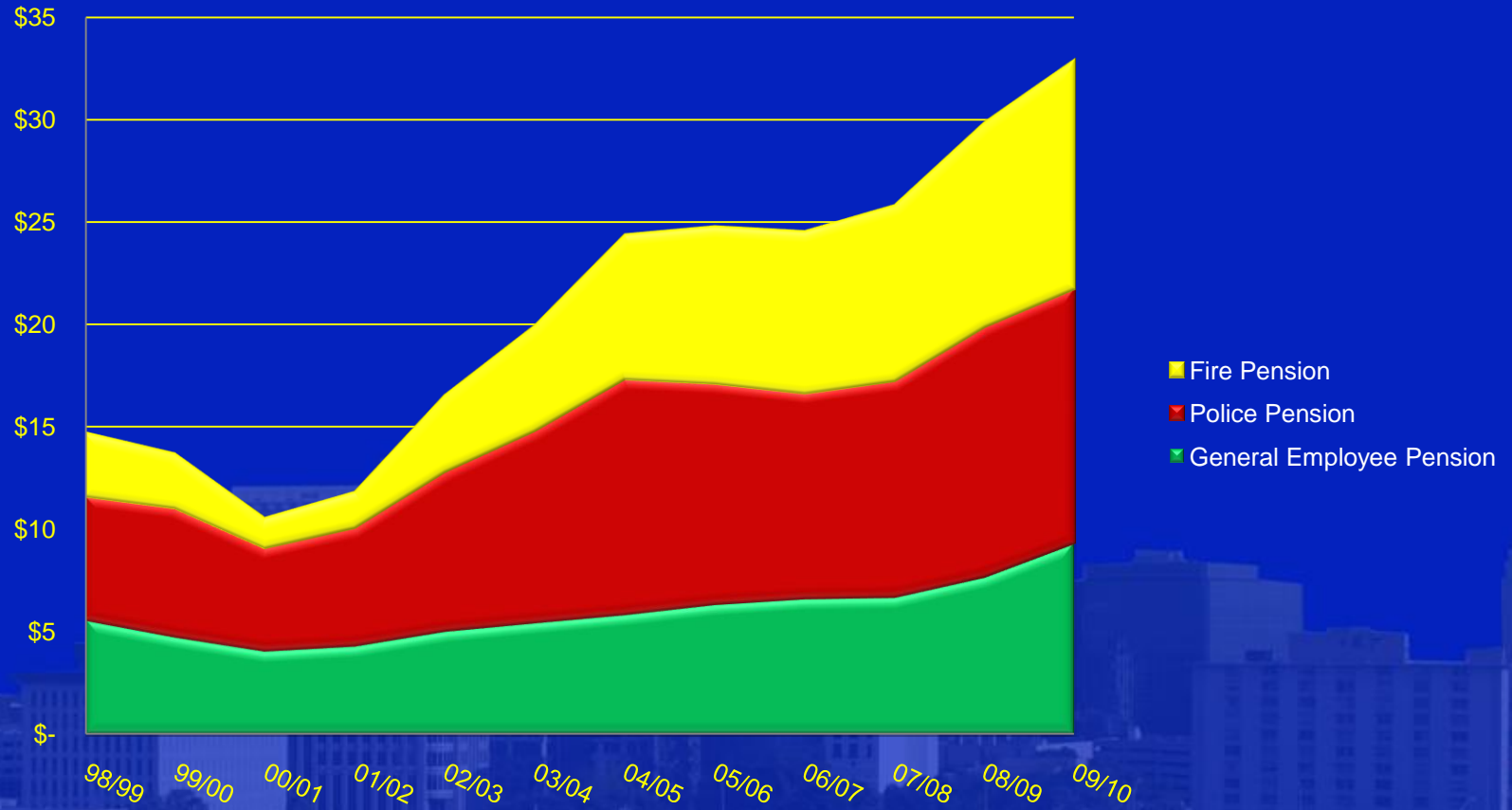
# Pension Increases

(in millions)

	08/09 Original	08/09 Revised	09/10 Budget	Increase
Police	\$11.8	\$12.2	\$12.4	\$0.2
Fire	9.2	10.0	11.2	1.2
General	6.6	7.7	9.3	1.6
<b>Total</b>	<b>\$27.6</b>	<b>\$29.9</b>	<b>\$32.9</b>	<b>\$3.0</b>

# Pension Costs

(in millions)



# Health Insurance Increase

08/09 Budget

33,427,821

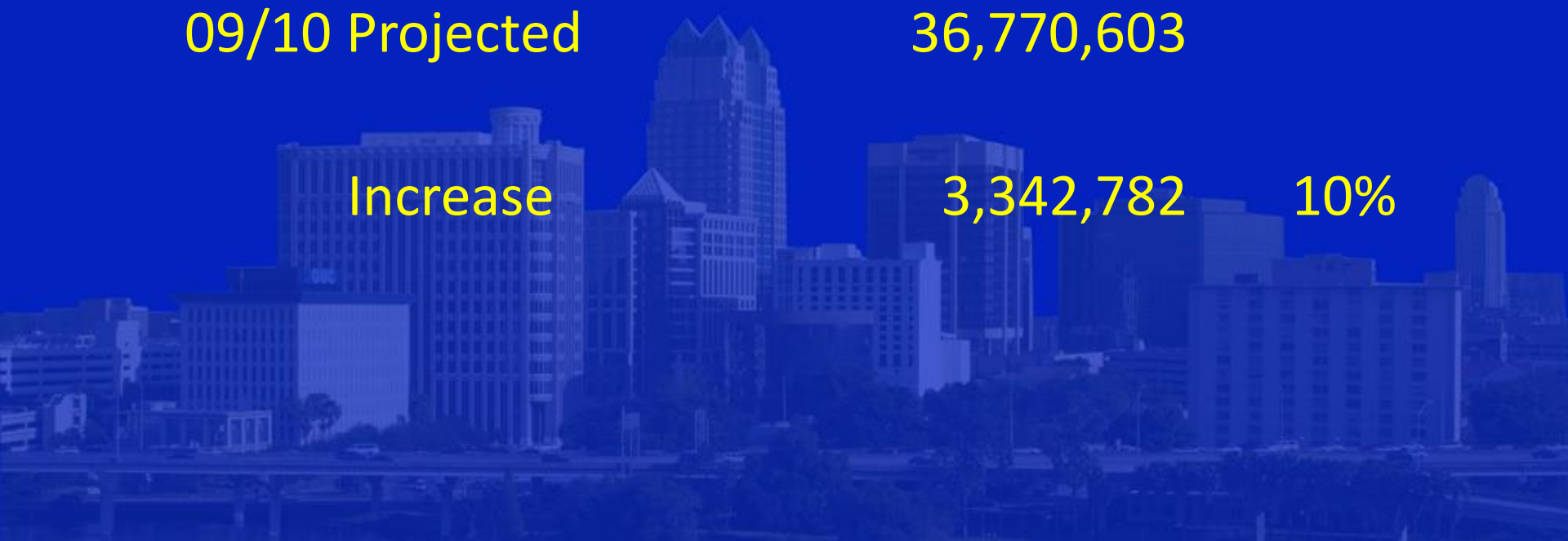
09/10 Projected

36,770,603

Increase

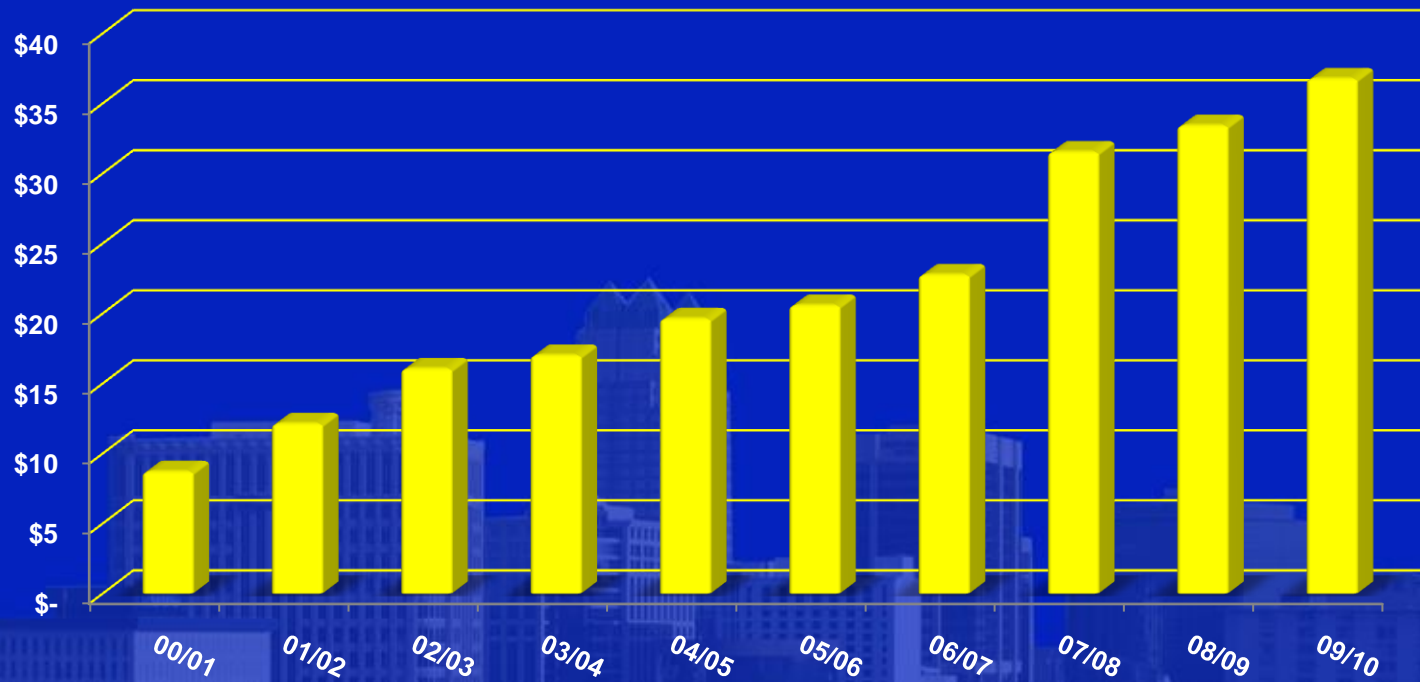
3,342,782

10%



# Health Insurance Costs

(in millions)



# Position Management (Attrition)

**FY09 Approved Budget**

**\$7.2M**

- In the 2009 budget 50 positions were eliminated and another 50 positions were frozen for the entire year
- Majority of attrition allowance is in public safety
- No revenue or expenditure “prospects” to make up for unachieved attrition

# Utility Cost Increase

08/09 Budget

10,835,005

09/10 Projected

12,243,555

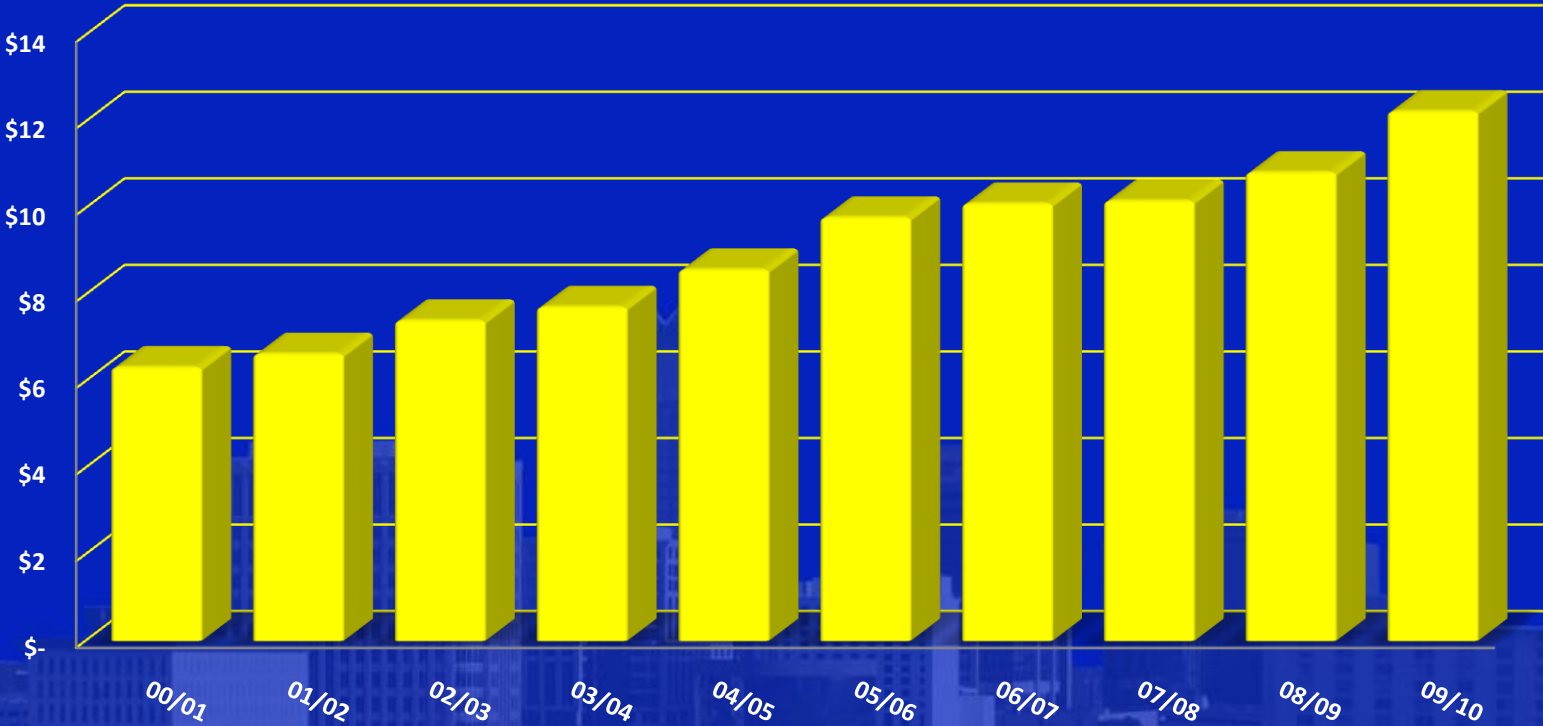
Increase

1,408,550

13%

# Utility Costs

(in millions)





# Financial Outlook: Budget Update

## FY2010 Projection

# FY2010 Projection

(in millions)

Revenue Reduction \$18.2

Expenditure Increase 21.8

Gap \$40.0

# FY2010 and Beyond

- The budget gap cannot be closed with one-time solutions or an accumulation of line-item reductions
- Revenue will not grow at rates which we have experienced in the past
- Result: Solving for this year's gap (and to live within future year means) will require a substantive change in the level and types of service the City provides

# Financial Outlook: Budget Update

## Reserves



# Summary of the City's Reserve Policy

- 10% Covenant Program – Bond Covenant Reserve
- 5% - 15% Government Finance Officer's Recommended Practice

Target Minimum Reserve in Range of 15% to 25%



## GFOA Recommended Practice

“GFOA recommends, *at a minimum*, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenses. A government’s particular situation may require levels of unreserved fund balance in the general fund significantly in excess of these recommended minimum levels.”

# Rating Agency Perspective

- In April 2009 Moody's assigned a negative outlook to the entire U.S. Local government sector
- Factors cited:
  - Sharply falling property values
  - Contracting consumer spending
  - Job losses
  - Limited credit availability

# Rating Agency Perspective

- Areas Moody's considers important exposures:
  - Market volatility, particularly with liquidity
  - Industries in particular risk
  - Volatility and declining revenue sources
  - Legally mandated expenditures

# Rating Agency Perspective

“Mitigants” identified by Moody’s:

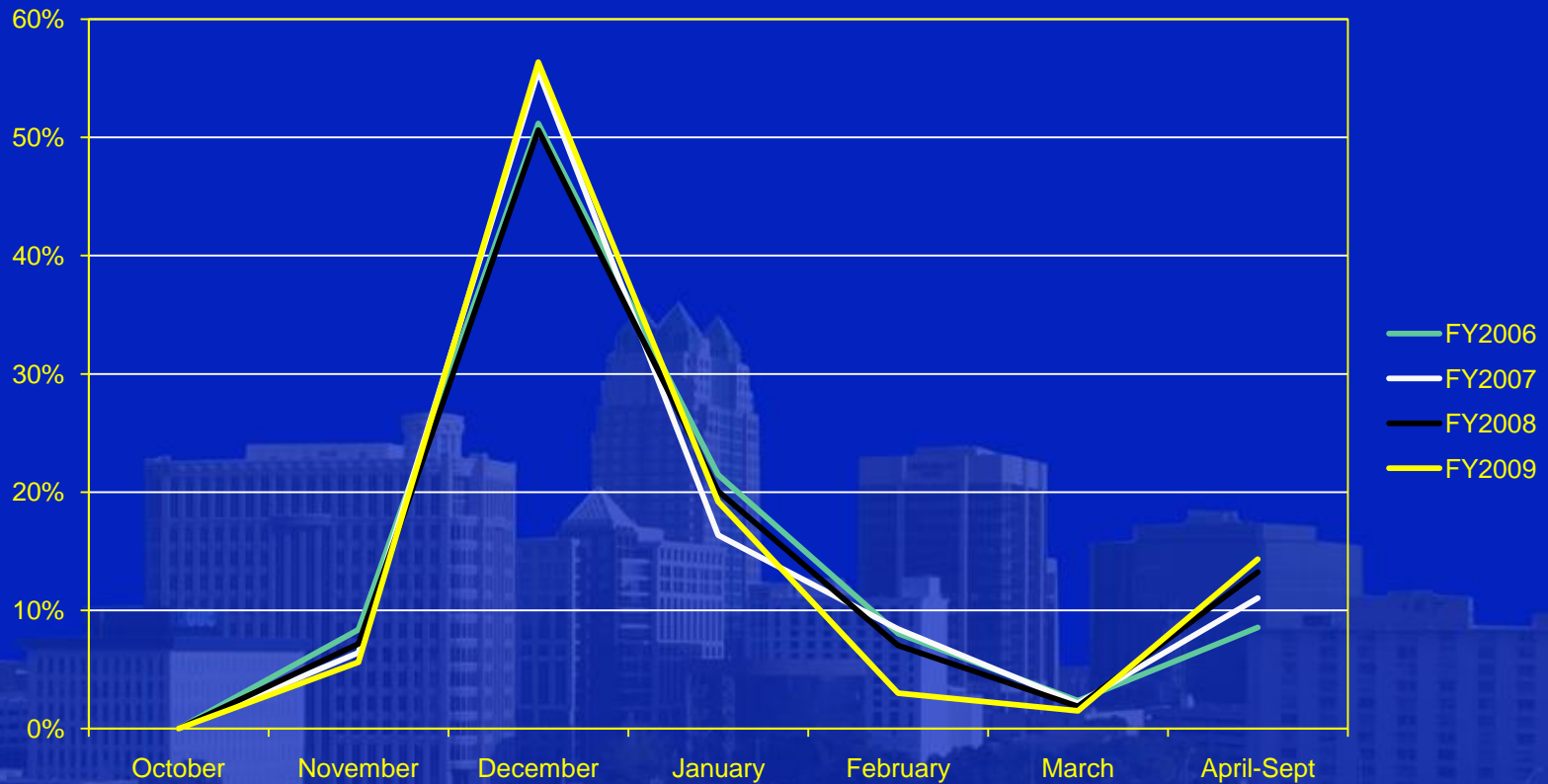
1. Above average reserve levels
2. Demonstrated willingness and ability of management to make rapid, if not multiple, mid-year budget adjustments
3. Consistently conservative budget assumptions

# Cash Flow Issues

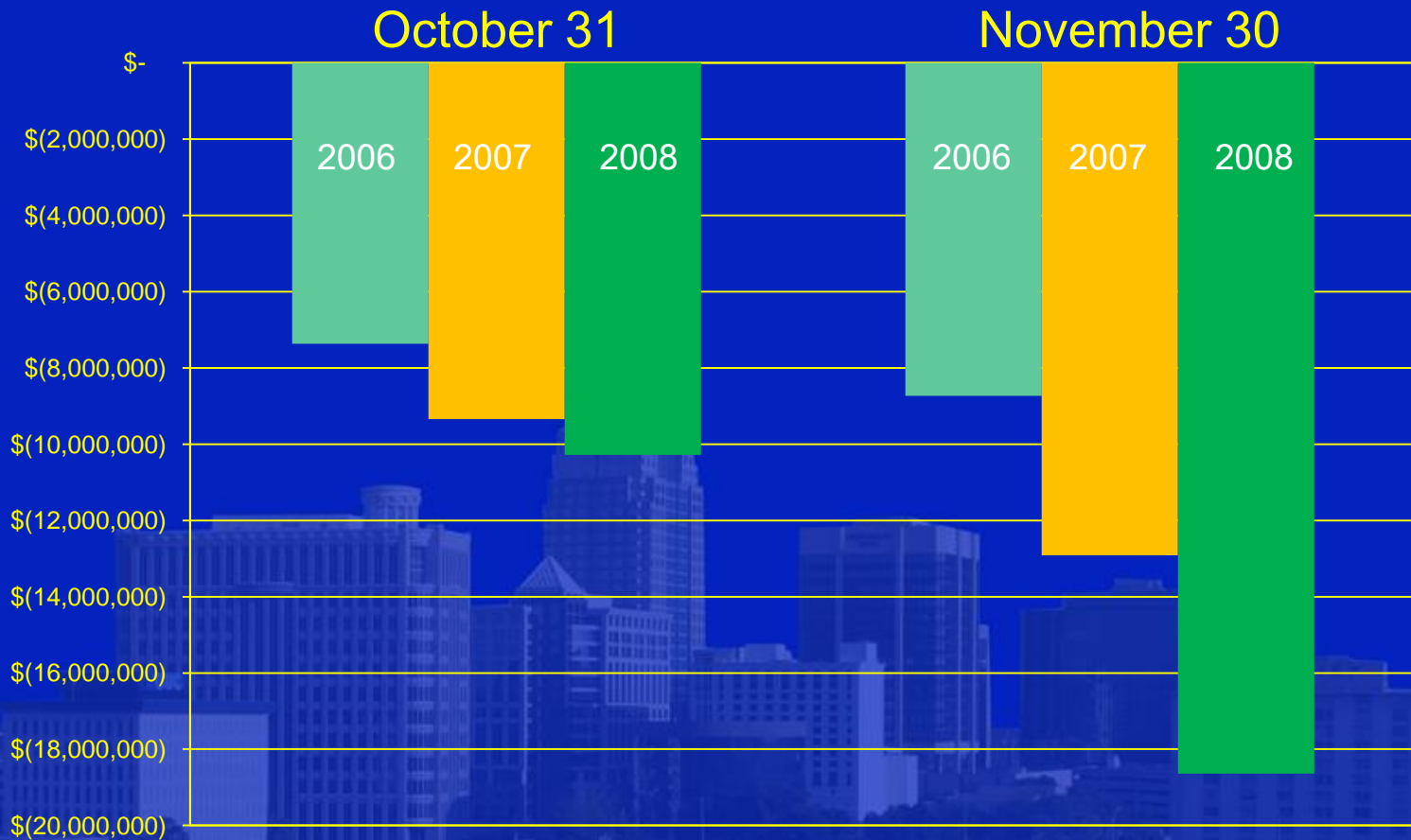
- Reserves are used to meet cash flow needs, particularly in the first months of the fiscal year due to the collection period for ad-valorem revenue
- When the policy was written in 2004, ad-valorem revenue was 27% of the budget; now it funds 37% of the budget

# General Fund Cash Flow Requirement

## Ad-Valorem Revenue Collection



# General Fund Cash Flow Requirement



# General Fund Reserves

(As of September 30, 2008)

	<u>General Fund</u>	<u>UST Fund</u>	<u>Hurricane Fund</u>	<u>Total</u>
Undesignated Fund Balance	70,822,442	24,906,228	8,778,749	104,507,419
FY2009 Budgeted Use	<u>(9,700,000)</u>	<u>-</u>	<u>-</u>	<u>(9,700,000)</u>
Total	61,122,442	24,906,228	8,778,749	94,807,419
Recommended Reserve (25%)				<u>92,809,542</u>
Reserves Above Recommended Minimum				1,997,877
Approved Budget				371,238,169

# Summary on Reserves

- Not a recurring source of revenue
  - Best suited for one-time uses
- Covenant debt service pledge
  - Ratings implications for the use of reserves
- Necessary to meet cash flow requirements

# Financial Outlook: Budget Update

## Communication



# Communication

- Outreach to Employee Bargaining Units
- Messages to Employees
- All Suggestions are Being Investigated

# Communication

- Cost Savings Task Force
  - Alternative Work Schedules
  - Separation Incentives



# Financial Outlook: Budget Update

## Calendar



# Budget Calendar

- April 13<sup>th</sup> First Budget Workshop / Directive to External Agencies
- April 20<sup>th</sup> Budget Submissions



# Budget Calendar

- May 22<sup>nd</sup> Best Estimate Letter Mailed
- June 22<sup>nd</sup> Second Budget Workshop
- July 1<sup>st</sup> Certified Tax Roll Due
- July 13<sup>th</sup> Third Budget Workshop /  
Mayor's Budget Presentation /  
Adopt Millage Rate

# Budget Calendar

- Sept. 14<sup>th</sup> 1<sup>st</sup> Public Budget Hearing
- Sept. 21<sup>st</sup> 2<sup>nd</sup> Public Budget Hearing / Budget Adoption



