

TO: James L. App, City Manager
FROM: Jim Throop, Director of Administrative Services
SUBJECT: FY2008 Mid-year Review and FY2009 Projection
DATE: March 18, 2008

Needs: Present FY2008 mid-year financial review, FY2009 financial projections and consider operating adjustments

Facts:

1. Economic activity is slowing, especially in construction and related industries.
2. The slowdown is impacting general revenues to the degree that adjustments to planned expenditures are advised.
3. Fundamentally, gross general revenue will increase from FY 2007 levels, but not as aggressively as originally estimated, and then remain at the FY 2008 level through FY 2009. Operating adjustments to account for diminished growth are indicated.

Analysis & Conclusion:

The economic condition of the country, state, county and city has changed since the budget was adopted for FY2008 and FY2009.

Housing starts are severely depressed, sub prime mortgages have negatively impacted some homeowners and financial companies, and fuel costs are high. These economic conditions can and are affecting the general revenue of the City. Operating adjustments have been implemented to offset diminished revenue growth and ensure the financial security of the City.

Fiscal Impact:

Planned General Fund staffing supplements, and most vacancies, for FY 2008 & 2009 are being left vacant. Where possible, operating expenses (temporary help, overtime, some contract assistance) are being avoided, reduced or deferred. Certain planned internal financial transfers from the General Fund to Special Funds are also being recommended for deferral.

These actions are estimated to result in a balanced FY 2008 operating result, i.e., no shortfall with only minimal to modest impact on City services. However, FY 2009 is projected to end the year with negative impact to the General Fund of approximately \$500,000. Fortunately, the estimated negative impact can be offset with temporary deferral of operating transfers to the Facility Repair Fund and transfer of excess funding from the liability insurance claim fund to the General Fund.

Options:

- a. That the Council receive and file the mid-year financial review, and adopt a Resolution authorizing deferral of certain minor transfers and use of available General Contingency Funds and/or excess funding from the liability insurance to cover the projected deficit, as necessary.
- b. Amend, modify, or reject the above option.

City of El Paso de Robles

Revenue/Expense Projections

<u>General Fund Revenue</u>	<u>FY07A</u>	<u>FY08P</u>	<u>FY09P</u>
Property Tax	7,584,685	8,398,133	8,361,128
Sales Tax	8,237,072	8,181,544	8,099,730
Transient Occupancy Tax	2,025,859	2,671,150	2,804,708
Other Taxes	2,946,287	2,926,193	2,944,796
Licenses/Fees	924,967	802,554	646,459
Fines & Forfeitures	317,220	352,927	355,997
Use of Money & Property	1,254,491	556,489	463,515
Revenue from Other Agencies	797,674	693,482	541,541
Charges for Current Services	1,660,150	1,508,669	1,386,375
Miscellaneous	<u>408,444</u>	<u>1,303,948</u>	<u>1,172,287</u>
Total General Fund Revenue	<u>26,156,849</u>	<u>27,395,090</u>	<u>26,776,536</u>
<u>General Fund Expense</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>
Salaries/Wages/Benefits	17,337,348	17,840,212	18,002,376
Maintenance & Operations	11,627,140	12,032,988	11,833,796
Lease-Purchase Payments	352,407	314,987	320,656
Operating Capital	148,037	72,373	68,073
Allocations To/From Others	<u>(3,457,861)</u>	<u>(2,911,240)</u>	<u>(2,911,240)</u>
Total General Fund Expense	<u>26,007,071</u>	<u>27,349,320</u>	<u>27,313,661</u>
Projected Revenue vs Expense	<u>149,778</u>	<u>45,770</u>	<u>(537,125)</u>

RESOLUTION NO. 08-XXX

A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF EL PASO DE ROBLES
APPROVING THE RECOMMENDATIONS OF STAFF
FOR BALANCING THE FISCAL YEAR 2008
AND FISCAL YEAR 2009 FINANCES

WHEREAS, the City operates to maintain a positive fund balance and to use fund balance only in times of dire need; and

WHEREAS, it is in the City's best interest to plan ahead for any possible financial downturn; and

WHEREAS, in these times of economic downturn it is best to approve a plan to mitigate any financial losses.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles to authorize the City Manager to effect, as necessary and appropriate, a two-year deferral of operating transfers to the Facility Repair Fund and City Hall Development Fund, as well as the use of either or both available General Contingency Funds and/or excess liability insurance claims to assist in offsetting any negative financial impact due to the economic downturn.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 18th day of March, 2008 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Frank Mecham, Mayor

Attest:

Deborah Robinson, Deputy City Clerk