



CITY OF VALLEJO
OFFICE OF THE CITY MANAGER

JANUARY 26, 2009

TO: Mayor and Members of the City Council

FROM: Robert V. Stout, Finance Director 
Craig Whittom, Assistant City Manager / Community Development 

SUBJECT: General Fund Financial Projections

Staff is continuing to work on the agenda item entitled: DISCUSSION OF GENERAL FUND REVENUE AUGMENTATION OPTIONS, PRELIMINARY FY 2009-10 FINANCIAL PROJECTIONS AND CITY COUNCIL PRIORITIES REGARDING EXPENDITURE REDUCTIONS. We will not have the report complete today. It is our intent to deliver the report to you in next week's agenda packet for discussion at the City Council meeting on February 3, 2009.

One component of the report that is complete is updated General Fund projections for FY 2008-09 and FY 2009-10. These updated projections were completed on Friday January 23, 2009 and submitted as a component of the City's bankruptcy filings. I have attached the projections, along with brief explanatory notes. These projections will be refined and updated for the City Council meeting of February 24, 2009 during which the City Council will conduct its mid-year budget review.

Please feel free to contact us if you have any questions.

cc: Joseph M. Tanner, City Manager
Fred Soley, City Attorney
Susan Mayer, Assistant Finance Director
Department Heads

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General Fund Financial Projections

Objective

The attached projections provide an updated view of the General Fund for FY 08-09 and 09-10. This document was prepared for the Bankruptcy Court in connection with the City's filings on January 23rd, 2009.

FY 08-09 Amended Budget

The FY 08-09 amended budget is presented in Column G. This reflects the City Council actions on November 6, 2008 to address severe revenue declines occurring after the original budget had been adopted in June. Council implemented a number of cost reductions at that time to rebalance the budget and maintain an ending contingency reserve of \$1 million.

FY 08-09 Current Projections

Current projections, as of January 20, 2009, are presented in Column I. Projections include the cost savings achieved through the Bankruptcy pendency plan, such as frozen wages and the reduction in Fire suppression staffing.

Revenues

Line item revenue details are also attached. Various general and departmental program revenues have been updated reflecting year-to-date trends.

Risks and Assumptions

- Projections include full police and fire reimbursement by the Mare Island Community Facilities District for the \$3.7 million in public safety services provided on Mare Island. However, to date, Lennar Mare Island has remitted only \$644,000 of its \$1.5 million semi-annual CFD assessment, creating a \$0.9 million shortfall in the CFD's \$6.2 million annual budget. The CFD budget will be updated for City Council consideration as part of the midyear budget review. Service reductions may impact these General Fund public safety reimbursements.
- FY 08-09 projections include full reimbursement by the schools for the Police Department's staffing of school resource officers. No FY 08-09 reimbursements have been received to date.
- No contingency has been included for potential state budget impacts should current State budget actions impact revenue distributions to local agencies.

Expenditures

- Expenditure projections now assume Police Department staffing of 116 sworn officers through June 2009. As described below, the ability to staff even at this level in FY 09-10 is uncertain.
- Projections also exclude, for now, the Fire training academy. This line item will be presented for Council consideration, along with all staffing levels, in the February 24, 2009 midyear budget report.

FY 09-10 Current Projections

Current projections, as of January 20, 2009, are presented in Column K. Projections continue to include the cost savings from departures from the employee collective bargaining agreements discussed in the Bankruptcy pendency plan, such as frozen wages and the reduction in Fire suppression staffing.

Revenues

Risks and Assumptions

- Secured property taxes have projected at a 5% decline from FY 08-09 based upon discussion with the County
- Sales taxes have been projected at a 2% decline from FY 08-09 levels, with have already been projected at a decline from FY 07-08. Given the spiraling economy, both the property and sales tax projections may prove to be aggressive.
- Projections continue to assume full reimbursements from the Mare Island CFD for public safety services. The Lennar Mare Island developer bankruptcy creates uncertainty in this assumption.
- Projections exclude two significant police revenue reimbursements for the school resource officers and another grant.
- No contingency has been included for potential state budget impacts should current State budget actions impact revenue distributions to local agencies.

Expenditures

- Expenditures include continued staffing of 116 sworn police and 21/day fire suppression staff. Continued Mare Island CFD reimbursements are essential to continue to support this public safety staffing level.
- These projections include the “normal” vehicle fuel, maintenance, and replacement costs for the General Fund’s 286 plus vehicle and equipment inventory. Ongoing General Fund deficits have deferred scheduled replacements in some cases for over five years to the point of severe vehicle maintenance issues. The FY 08-09 budget included replacement for only 5 of these 200+ vehicles. This number has been presented here to show a “normal” cost for fleet operations.
- Retire Health costs are presented on two lines. First, the first line presents the “pay-as-you-go” balance for the City contribution for existing retirees. The second line, “pre-funding,” represents the value of the benefits earned during the year by current employees. This “normal” costs includes only the current year benefits earned, and does not attempt to fund or amortize the value of past service costs earned by current employees. It is a policy option for City Council to choose to fund this cost. The number is presented to inform the City Council and the public of the cost of these benefits, and to acknowledge the “deferral” to the future if the cost is not currently funded.

- Bankruptcy costs have been projected to continue at \$2 million for the next year. This is a speculative number and simply a placeholder until the status of the City's employee agreements and the appeal of the City's eligibility are resolved.

Summary

FY 09-10 revenues are currently projected to decline to \$72 million, from a high of \$83 million in FY 07-08. Current expenditure projections, given the assumptions above, are projected at \$82 million, for a \$10 million annual deficit. Revenue and expenditure policy options will be discussed during the February 24th midyear budget review.

General Fund - Fund Balance Projection

As of 1-20-09

	FY 05-06		FY 06-07		FY 07-08		FY 08-09				FY 09-10	
	A	B	C	D	E	F	G	H	I	J	K	
Beginning Available Balance	9,878,065	7,751,830	4,242,256									
Revenues												
Property tax	15,857,808	18,776,182	19,473,533	19,082,615	19,082,615	19,082,615	18,023,578	18,023,578	18,023,578	17,172,382	17,172,382	17,172,382
Sales tax	13,819,405	13,353,505	12,021,086	12,315,000	12,315,000	12,315,000	11,200,000	11,200,000	11,200,000	10,976,000	10,976,000	10,976,000
Other general revenues	38,786,701	37,636,853	36,928,076	35,433,860	35,833,860	35,833,860	34,756,991	34,756,991	34,756,991	33,726,976	33,726,976	33,726,976
Program revenues	12,645,644	12,741,038	12,966,006	12,418,482	12,418,482	12,418,482	11,944,459	11,703,959	11,703,959	10,730,385	10,730,385	10,730,385
One-time interfund transfers	-	-	2,240,000	1,000,000	1,000,000	1,000,000	1,120,000	1,120,000	1,120,000	-	-	-
State budget risk	-	-	-	(1,000,000)	(1,000,000)	(1,000,000)	-	-	-	-	-	-
New tax - ballot measure	81,109,558	82,507,578	83,628,701	79,649,957	79,649,957	79,649,957	77,413,028	76,804,528	76,804,528	72,605,743	72,605,743	72,605,743
Expenditures												
Salaries and benefits:												
Police - VPOA	2,257,722	2,551,113	3,068,796	2,501,259	2,501,259	2,501,259	24,751,259	26,795,944	24,211,259	28,051,062	24,476,163	24,476,163
Fire - IAFF	1,875,802	2,193,913	2,578,857	25,795,461	19,044,951	19,044,951	18,444,951	25,546,033	18,444,951	26,737,635	18,605,301	18,605,301
Training Academy	-	-	-	475,000	475,000	475,000	190,000	-	-	-	-	-
IBEW	-	-	-	13,655,335	13,655,335	13,655,335	13,318,884	13,677,985	13,318,884	14,258,125	13,515,979	13,515,979
Management-CAMP/Other	-	-	-	8,996,689	8,996,689	8,996,689	8,829,152	9,814,152	8,829,152	9,301,682	8,768,134	8,768,134
Other updates/vacancies	66,758,700	72,553,936	74,568,476	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Service and supplies:												
Vehicle maint/replacement	4,729,896	3,104,896	3,068,871	2,366,871	2,366,871	2,366,871	2,366,871	2,366,871	2,366,871	4,269,092	4,269,092	4,269,092
Retiree Health - pay as go	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,050,000	3,050,000	3,300,000	3,300,000	3,300,000
Retiree Health - prefunding	-	-	-	-	-	-	-	-	-	-	-	-
Compensated absences	1,446,903	1,314,168	3,309,325	3,450,000	3,450,000	3,450,000	1,600,000	3,450,000	1,600,000	1,750,000	1,750,000	1,750,000
Street maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to other agencies	1,520,950	1,765,099	1,603,746	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Bankruptcy Costs	-	-	1,046,295	2,000,000	2,000,000	2,000,000	2,500,000	2,500,000	2,500,000	-	-	2,000,000
Other	8,913,310	9,372,598	9,644,532	10,108,011	9,808,011	9,808,011	9,994,277	9,934,277	9,934,277	10,134,277	10,134,277	10,134,277
Bankruptcy Claims	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	214,779	339,682	206,947	-	-	-	-	-	-	-	-	-
	16,229,466	17,536,573	21,458,498	20,412,907	20,524,882	20,524,882	20,211,148	22,051,148	20,201,148	20,203,369	25,903,369	25,903,369
Interfund transfers:												
General Fund Debt Service	1,292,314	1,452,387	1,713,908	2,082,896	1,620,650	1,620,650	1,620,650	1,540,000	1,540,000	1,660,000	1,660,000	1,660,000
Marina Fund Debt Service	-	-	-	950,000	600,000	600,000	500,000	400,000	400,000	400,000	400,000	400,000
Other	5,912,934	1,725,303	99,803	-	-	-	251,639	251,639	251,639	-	-	-
Interfund reimbursements	(5,869,412)	(6,585,663)	(10,496,680)	(10,289,821)	(10,289,821)	(10,289,821)	(10,124,821)	(10,124,821)	(10,124,821)	(10,124,821)	(10,124,821)	(10,124,821)
Subtotal, expenditures	84,324,002	86,682,536	87,344,005	90,147,787	78,649,957	78,649,957	77,477,862	88,691,028	76,572,212	89,987,052	82,704,125	82,704,125
Annual Operating Results	(3,214,444)	(4,174,958)	(3,715,304)	(10,497,830)	1,000,000	1,000,000	(64,834)	(11,886,500)	232,316	(17,381,306)	(10,098,382)	(10,098,382)
Reserve Transactions	1,088,209	665,384	270,243	-	-	-	267,639	267,639	267,639	-	-	-
Ending Available Balance	7,751,830	4,242,256	797,195	(10,497,830)	1,000,000	1,000,000	1,000,000	(10,821,666)	1,297,150	(28,202,975)	(8,801,232)	(8,801,232)
% annual expenditures	9%	5%	0.9%	-11.6%	1.3%	1.3%	1.3%	-12.2%	1.7%	-31.3%	-10.6%	-10.6%

City of Vallejo General Fund
Revenue Trends
(Net of Mare Island Allocations)

	2005-06		2006-07		2007-08		2008-09		2009-10		
	Actual	% vs PY	Actual	% vs PY	Actual (Unaudited)	% vs PY	Projection at 10-28-08	Projection at 1-20-09	Change vs PY	% vs PY	
General Revenues											
Property Taxes											
CURRENT SECURED TAXES	14,027,383	15%	16,141,292	15%	17,562,788	9%	17,516,183	16,678,917	15,827,721	(851,196)	-5%
CURRENT UNSECURED TAXES	474,469	11%	527,720	11%	578,241	10%	630,524	585,687	585,687	-	0%
SUPPLEMENTAL TAXES	2,056,575	-30%	1,437,746	-30%	823,854	-43%	350,000	164,771	164,771	-	0%
HOMEOWNERS EXEMPTN TAX	199,849	1%	201,317	1%	196,686	-2%	188,343	182,842	182,842	-	0%
UNITARY TAXES	305,430	2%	310,083	2%	366,739	18%	357,565	391,361	391,361	-	0%
TAX INCREMENT PASS-THROUGH	-		158,024		(54,775)	-135%	40,000	20,000	20,000	-	0%
SB 1096 ERAF	(1,205,898)										
	<u>15,857,808</u>	<u>18%</u>	<u>18,776,182</u>	<u>18%</u>	<u>19,473,533</u>	<u>4%</u>	<u>19,082,615</u>	<u>18,023,578</u>	<u>17,172,382</u>	<u>(851,196)</u>	<u>-5%</u>
Sales Tax	13,819,405	-3%	13,353,505	-3%	12,021,086	-10%	12,315,000	11,200,000	10,976,000	(224,000)	-2%
Vehicle License Fees (incl In Lieu)	8,592,520	11%	9,536,759	11%	10,388,740	9%	10,512,621	10,030,986	9,680,986	(350,000)	-3%
Transit Occupancy Tax	1,405,410	15%	1,618,954	15%	1,497,237	-8%	1,500,000	1,300,000	1,300,000	-	0%
Real Property Excise Tax	256,438	158%	662,491	158%	91,039	-86%	200,000	80,000	200,000	120,000	150%
Franchise	2,377,793	29%	3,081,529	29%	3,992,171	30%	4,427,850	4,155,697	3,939,189	(178,508)	-4%
UUT	12,488,855	0%	12,504,321	0%	13,208,564	6%	13,152,946	13,202,187	13,072,187	(130,000)	0%
Property Transfer Tax	5,106,488	-26%	3,778,090	-26%	1,696,396	-55%	1,665,000	2,015,000	1,665,000	(350,000)	-17%
Business License	1,298,046	7%	1,398,111	7%	1,364,571	-2%	1,390,000	1,590,000	1,390,000	(200,000)	-13%
Subtotal, Taxes	<u>61,202,763</u>	<u>6%</u>	<u>64,679,942</u>	<u>6%</u>	<u>63,733,337</u>	<u>-1%</u>	<u>64,246,032</u>	<u>61,447,447</u>	<u>58,917,924</u>	<u>(2,161,523)</u>	<u>-4%</u>
Revenue From Use of Money											
RENTALS	187,859	-70%	56,498	-70%	707,620	1152%	826,211	741,890	741,890	-	0%
INVESTMENT INCOME	315,289	-35%	206,061	-35%	(234,269)	-214%	(250,000)	(250,000)	(250,000)	-	0%
	503,148	-48%	262,559	-48%	473,351	80%	576,211	491,890	491,890	-	0%
Misc											
WATER RETURN TO RATE BASE	2,762,722	4%	2,867,434	4%	-	-	-	-	-	-	-
WATER RIGHTS	-		-		1,013,332		1,043,732	1,043,732	1,075,044	31,312	3%
DISCOVERY KINGDOM Park Fee	-		-		264,718		765,000	765,000	790,000	25,000	3%
OTHER	709,093	-60%	285,784	-60%	223,691	-22%	175,500	175,500	175,500	-	0%
	<u>3,471,815</u>	<u>-9%</u>	<u>3,153,218</u>	<u>-9%</u>	<u>1,501,741</u>	<u>-52%</u>	<u>1,984,232</u>	<u>1,984,232</u>	<u>2,040,544</u>	<u>56,312</u>	<u>3%</u>
Transfers											
DISCOVERY KINGDOM Revenue Sharing	2,977,418	-51%	1,454,098	-51%	1,675,251	15%	1,000,000	1,000,000	-	(1,000,000)	0%
RISK FUND	-		-		400,000		400,000	400,000	400,000	-	0%
REDEVELOPMENT/Loan Repayment	308,770	-30%	216,723	-30%	2,879,015	1228%	25,000	145,000	25,000	(120,000)	-83%
OTHER FUNDS	3,286,188	-49%	1,670,821	-49%	4,954,266	197%	1,425,000	1,545,000	425,000	(1,120,000)	-72%
State Budget Risk											
Subtotal, General Revenues	<u>68,463,914</u>	<u>2%</u>	<u>69,766,540</u>	<u>2%</u>	<u>70,662,695</u>	<u>1%</u>	<u>67,231,475</u>	<u>65,100,569</u>	<u>61,875,358</u>	<u>(3,225,211)</u>	<u>-5%</u>

