

# General Fund Update

## Preliminary FY 2011 Results

### 1<sup>st</sup> Quarter Revenue Update



**Finance Department**

November 9, 2011

Preliminary Unaudited

## The Bottom Line

FY 2011 General Fund	
Preliminary Unaudited 11-4-11 (amounts in millions)	
Total Revenue, Transfers In & Other Financing Sources	\$ 434.3
Total Expenditures, Transfers Out, & Financing Uses	\$ 420.5
Net Revenue	\$ 13.8

Fund Balance (amounts in millions)	
Beginning Fund Balance	\$ 47.1
Net Revenue from FY 2011	\$ 13.8
Ending FY 2011 Fund Balance	\$ 60.9

- The increase in Fund Balance is due to significant savings on the expenditure side of the budget and strong revenue collections during the last half of the Fiscal Year.



**Finance Department**

November 9, 2011

Preliminary Unaudited

## Furlough Reduction/Elimination Plan

- Plan adopted by Mayor & Council on April 26, 2011.
  - Step 1
    - Unassigned fund balance equals \$22.8 million
    - Additional unassigned fund balance will be assigned to reduce up to 32 hours of furloughs between January 1 & June 30, 2012
  - Step 2
    - Reduce additional furlough hours based of FY 2012 results
      - Not necessary since furloughs were eliminated in Step 1
  - Step 3
    - Furloughs will not automatically be included in the FY 2013 recommended budget but remain an option dependent on demonstrated financial need.



**Finance Department**

November 9, 2011

Preliminary Unaudited

3

## Furlough Reduction/Elimination Plan

- Plan adopted by Mayor & Council on April 26, 2011.
  - Step 1
    - ✓ Unassigned fund balance equals \$22.8 million
    - Additional unassigned fund balance will be assigned to reduce up to 32 hours of furloughs between January 1 & June 30, 2012
  - Step 2
    - Reduce additional furlough hours based of FY 2012 results
      - Not necessary since furloughs were eliminated in Step 1
  - Step 3
    - Furloughs will not automatically be included in the FY 2013 recommended budget but remain an option dependent on demonstrated financial need.



**Finance Department**

November 9, 2011

Preliminary Unaudited

4

## Furlough Reduction/Elimination Plan

- Plan adopted by Mayor & Council on April 26, 2011.
  - Step 1
    - ✓ Unassigned fund balance equals \$22.8 million
    - ✓ Additional unassigned fund balance will be assigned to reduce up to 32 hours of furloughs between January 1 & June 30, 2012
  - Step 2
    - Reduce additional furlough hours based of FY 2012 results
      - Not necessary since furloughs were eliminated in Step 1
  - Step 3
    - Furloughs will not automatically be included in the FY 2013 recommended budget but remain an option dependent on demonstrated financial need.



**Finance Department**

November 9, 2011

Preliminary Unaudited

5

## Furlough Reduction/Elimination Plan

- Plan adopted by Mayor & Council on April 26, 2011.
  - Step 1
    - ✓ Unassigned fund balance equals \$22.8 million
    - ✓ Additional unassigned fund balance will be assigned to reduce up to 32 hours of furloughs between January 1 & June 30, 2012
  - Step 2
    - Reduce additional furlough hours based of FY 2012 results
      - Not necessary since furloughs were eliminated in Step 1
  - Step 3
    - Furloughs will not automatically be included in the FY 2013 recommended budget but remain an option dependent on demonstrated financial need.



**Finance Department**

November 9, 2011

Preliminary Unaudited

6

# Fund Balance



**Finance Department**

November 9, 2011

Preliminary Unaudited

## Fund Balance Components (GASB 54)

- **Nonspendable: inherently unspendable (\$2.7M)**
  - Example: inventory, long-term receivables
- **Restricted: externally enforceable limitations on use (\$5.5M)**
  - Example: legally enforceable – external party could compel the city to use the resources for a specific purpose (debt covenants, grant requirements, charter)
- **Committed: Self-imposed limitations by Mayor & Council (\$28.2M)**
  - Mayor & Council Legislation (ability to impose or remove), contractual requirements
- **Assigned: Limitation resulting from intended use by other than Mayor & Council (\$13.3M)**
  - Resources constrained by the City's intended use, set by City Manager or designee
- **Unassigned: Residual net resources (\$11.2M)**

Unrestricted



**Finance Department**

November 9, 2011

Preliminary Unaudited

## Fund Balance Movement Detail

FY 2011 Fund Balance Movement Detail	
Total Fund Balance	\$ 60.9
1st: allocate to Nonspendable	\$ 2.7
2nd: allocate to Restricted	\$ 5.5
3rd: allocate to Committed	\$ 5.4 based on prior MC action
Amounts remaining	\$ 47.3
Adopted Financial Policies require a "rainy day" fund equal to 10% of revenues be built up and held in the Committed category.	\$ 22.8
	Moved the prior year Unassigned balance to the Committed Category.
Prior year Assigned category was \$11.5 million, most of which (\$11.2) had been set aside from FY2010 results to cover any shortfall in FY2011.	\$ 11.5
	Retained in the Assigned for Furlough Reduction & to avoid the a portion of the COPs restructuring FY12
Allocate to Assigned	\$ 1.8
	Additional amount required to avoid the remaining portion of the COPs Restructuring FY 2012
Remaining Balance in Unassigned	\$ 11.2

Total Unrestricted Fund Balance (Committed, Assigned & Unassigned)	
As a % of Total Revenues*	12.1%
As a % of Total Expenditures*	12.5%
<small>*includes Transfers and Other Financing Sources/Uses</small>	



**Finance Department**

**November 9, 2011**

Preliminary Unaudited

## FY 2011 Revenue & Expenditures



**Finance Department**

**November 9, 2011**

Preliminary Unaudited

## Expenditures

- Expenditures were \$22.6 million or 5.1% less than the original budget for FY 2011.
- Unprecedented attrition and the significant number of employees in the End of Service and DROP programs contributed significantly to the reduction in expenditures.

FY 2011 Expenditures (amounts in millions)				
	Original Budget	Actual	\$ Variance	% Variance
Elected & Official	\$22.0	\$19.7	\$2.3	10.5%
Support Services	40.2	36.8	\$3.4	8.4%
Neighborhood Services	281.1	264.4	\$16.7	5.9%
Environmental & Development	9.3	8.6	\$0.7	7.9%
Non-Departmental	23.1	18.3	\$4.8	20.9%
Transfers Out	40.8	46.0	-\$5.2	-12.7%
Capital	1.6	2.2	-\$0.6	-35.9%
Debt Service & Restructuring	25.0	24.7	\$0.3	1.2%
<b>Total Expenditures</b>	<b>\$443.1</b>	<b>\$420.5</b>	<b>\$22.6</b>	<b>5.1%</b>



**Finance Department**

**November 9, 2011**

Preliminary Unaudited

## Expenditures by Category

FY 2011 Expenditures (amounts in millions)							
	Original Budget	Revised Budget	Actual	Variance to Original Budget		Variance to Revised Budget	
				\$	%	\$	%
Personnel	\$286.6	\$282.4	\$268.2	-\$18.4	-6.4%	-\$14.2	-5.0%
Services	\$72.9	\$71.1	\$64.5	-8.4	-11.5%	-\$6.6	-9.3%
Commodities	\$16.2	\$15.8	\$14.9	-1.3	-8.3%	-\$0.9	-6.0%
Capital Outlay	\$1.3	\$1.7	\$1.1	-0.2	-15.8%	-\$0.6	-34.1%
Capital Projects	\$0.3	\$1.3	\$1.1	0.8	239.8%	-\$0.2	-13.9%
Debt Service & Refunding	\$25.0	\$25.0	\$24.7	-0.3	-1.2%	-\$0.3	-1.2%
Transfers Out	\$40.8	\$45.6	\$46.0	5.2	12.7%	\$0.4	0.8%
<b>Total Expenditures</b>	<b>\$443.1</b>	<b>\$442.9</b>	<b>\$420.5</b>	<b>-\$22.6</b>	<b>-5.1%</b>	<b>-\$22.4</b>	<b>-5.1%</b>



- Personnel costs were \$308.8 million in the General Fund in 2008. The decrease reflects a savings of 13% in the personnel area. The actual savings in salaries, overtime and temporary wages is much greater but the total is offset by increases in rates for medical insurance, workers' compensation and pension contributions.

**Finance Department**

**November 9, 2011**

Preliminary Unaudited

## General Fund Revenue

FY 2011 Revenue (amounts in millions)							
	Original Budget	Revised Budget	Actual	Variance to Original Budget		Variance to Revised Budget	
				\$	%	\$	%
Taxes	\$207.6	\$218.9	\$224.7	\$17.1	8.2%	\$5.8	2.6%
Licenses and Permits	22.1	22.2	22.2	0.1	0.5%	\$0.0	0.0%
Fines, Forfeitures & Penalties	17.5	13.9	13.8	-3.7	-21.1%	-\$0.1	-0.7%
Use of Money and Property	0.9	1.1	1.4	0.5	55.6%	\$0.3	27.3%
Other Agencies	112.7	111.7	114.4	1.7	1.5%	\$2.7	2.4%
Charges For Services	45.2	41.8	43.0	-2.2	-4.9%	\$1.2	2.9%
Miscellaneous	1.2	1.1	1.1	-0.1	-8.3%	\$0.0	0.0%
Transfers In	1.6	1.6	1.7	0.1	6.2%	\$0.1	6.2%
COPs Restructuring & Lease/Purchase	34.3	9.4	11.9	-22.4	-65.2%	\$2.5	26.9%
Use of Assigned Fund Balance	0.0	11.2	0.0	0.0	-100.0%	-\$11.2	-100.0%
<b>Total Revenue</b>	<b>\$443.1</b>	<b>\$432.9</b>	<b>\$434.2</b>	<b>-\$8.9</b>	<b>-2.0%</b>	<b>\$1.3</b>	<b>0.3%</b>

- Actual Revenue \$8.9 million less than original budget, which was not a surprise. Relates to the \$24.7 million “placeholder” in the original budget, which was eliminated in the Revised budget.

- Actual Revenue is \$1.3 million more than the Revised Budget



- Assigned Fund Balance was not drawn on, because revenues were above the revised budget in other categories.

**Finance Department**

**November 9, 2011**

Preliminary Unaudited

## Revenue

FY 2011 Revenue (amounts in millions)				
	Revised Budget	Actual	\$ Variance	% Variance
Sales Tax	\$166.0	\$168.2	\$2.2	1.3%
Utility Tax	22.7	25.3	2.6	11.4%
Lodging Tax	11.6	12.5	0.9	8.0%
Primary Property Tax	11.8	12.0	0.2	2.0%
Other Taxes	7.1	6.7	-0.4	-5.6%
Franchise Fees	19.2	19.6	0.4	2.0%
State Shared Sales Tax	38.8	40.6	1.8	4.5%
State Shared Income Tax	50.3	50.3	0.0	0.0%
State Shared Auto Lieu Tax	19.4	19.7	0.3	1.6%
Administrative Fee	12.0	12.0	0.0	0.0%
Licenses & Permits	2.4	2.7	0.3	10.8%
Fines, Forfeitures & Penalties	12.1	13.8	1.7	13.7%
Charges For Services	29.7	31.0	1.3	4.4%
Other	7.9	8.0	0.1	1.4%
Debt Restructuring	10.7	11.9	1.2	11.5%
Use of Restricted Fund Balance	11.2	0.0	-11.2	-100.0%
<b>Total Revenue</b>	<b>\$432.9</b>	<b>\$434.2</b>	<b>\$1.3</b>	<b>0.3%</b>



**Finance Department**

**November 9, 2011**

Preliminary Unaudited

## Sales Tax (40% of Total GF Revenue)

- City Sales Tax ended FY 2011 at \$168.1 million verses FY 2010 which was \$166.6 million and a revised budget of \$166 million.
- Only 4 months of twelve in FY 2011 had a month-over-month increase over fiscal FY 2010, making this revenue source very difficult to budget.

Fiscal Year	Sales Tax	\$ Change	% Change
2008	\$ 196,063,144		
2009	\$ 169,708,658	\$ (26,354,486)	-13.4%
2010	\$ 166,573,329	\$ (3,135,329)	-1.8%
2011	\$ 168,139,915	\$ 1,566,586	0.9%
Change from 2008-2011		\$ (27,923,230)	-14.2%



**Finance Department**

**November 9, 2011**

Preliminary Unaudited

15

## State Shared Revenue

Fiscal Year	State Shared Sales Tax	\$ Change	% Change
2008	\$ 48,272,651		
2009	\$ 41,567,129	\$ (6,705,522)	-13.9%
2010	\$ 38,800,312	\$ (2,766,817)	-6.7%
2011	\$ 40,564,009	\$ 1,763,697	4.5%
Change from 2008-2011		\$ (7,708,642)	-16.0%

- The total collected from State Shared Revenue in 2011 was \$36.5 million less than the revenue collected in 2008. The combined three year's lost revenue totals \$64.5 million.

Fiscal Year	State Shared Income Tax	\$ Change	% Change
2008	\$ 75,343,982		
2009	\$ 77,475,897	\$ 2,131,915	2.8%
2010	\$ 65,593,404	\$ (11,882,493)	-15.3%
2011	\$ 50,284,825	\$ (15,308,579)	-23.3%
Change from 2008-2011		\$ (25,059,157)	-33.3%

- 2008: State Shared Revenue was 31.5% of Total General Fund Revenues

Fiscal Year	State Shared Auto Lieu Tax	\$ Change	% Change
2008	\$ 23,445,568		
2009	\$ 22,114,531	\$ (1,331,037)	-5.7%
2010	\$ 20,618,278	\$ (1,496,253)	-6.8%
2011	\$ 19,718,347	\$ (899,930)	-4.4%
Change from 2008-2011		\$ (3,727,221)	-15.9%

- 2011: State Shared Revenue was 26.3% of Total General Fund Revenue.



**Finance Department**

**November 9, 2011**

Preliminary Unaudited

16

## Other Major Taxes

Fiscal Year	Transient Occupancy Tax	\$ Change	% Change
2008	\$ 10,488,453		
2009	\$ 9,270,796	\$ (1,217,657)	-11.6%
2010	\$ 8,578,730	\$ (692,066)	-7.5%
2011	\$ 8,865,662	\$ 286,932	3.3%
Change from 2008-2011		\$ (1,622,791)	-15.5%

MTCVB receives a third of the actual revenue. Since collections were above the revised budget the payment to MTCVB will be adjusted to reflect the actual collections.

Fiscal Year	Use Tax	\$ Change	% Change
2008	\$ 7,949,205		
2009	\$ 8,770,451	\$ 821,246	10.3%
2010	\$ 6,688,928	\$ (2,081,523)	-23.7%
2011	\$ 6,360,932	\$ (327,996)	-4.9%
Change from 2008-2011		\$ (1,588,273)	-20.0%



**Finance Department**

**November 9, 2011**

Preliminary Unaudited

## Other Major Taxes

Fiscal Year	Public Utility Tax	\$ Change	% Change
2008	\$ 7,048,842		
2009	\$ 6,771,441	\$ (277,401)	-3.9%
2010	\$ 18,216,381	\$ 11,444,940	169.0%
2011	\$ 25,291,168	\$ 7,074,787	38.8%
Change from 2008-2011		\$ 18,242,326	258.8%

The tax rate was increased for FY 2010. The increased tax rate plus higher Public Utility billings have resulted in increased revenue.

Fiscal Year	Property Tax	\$ Change	% Change
2008	\$ 10,122,161		
2009	\$ 11,568,247	\$ 1,446,086	14.3%
2010	\$ 11,633,043	\$ 64,796	0.6%
2011	\$ 12,034,958	\$ 401,915	3.5%
Change from 2008-2011		\$ 1,912,797	18.9%



**Finance Department**

**November 9, 2011**

Preliminary Unaudited

## Conclusion: FY 2011 General Fund

- Results are still preliminary and may change
- The financial condition of the General Fund has improved. Although, still below our policy levels, \$13.8 million was added to the fund balance in FY 2011.
- Revenues in some categories have started to rebound in Fiscal 2011, however, the total revenue still remains well below the total revenue of 2008.
- Reductions in expenditures have been the most significant reason for the improved financial condition of the City over the past year.
- There are funds available to eliminate the furloughs for the second half of FY 2012 without having to use prior year fund balance.
- Also a portion of the Unassigned Fund Balance has been “set-aside” or assigned to be used to balance the budget without having to restructure the COPs debt in FY 2012. This is a very positive sign.



**Finance Department**

November 9, 2011

Preliminary Unaudited

## FY 2012 Major Tax Revenue Update



**Finance Department**

November 9, 2011

Preliminary Unaudited

## FY 2012 Major Tax Revenues

- The first four months of collections are in line with the adopted FY 2012 budget.
- Sales Tax
  - Up 3.1% from the same period in the prior year, most of that increase came in July and August. The most recent two months have been flat.
- State Shared Sales Tax
  - Up 3.3% from the same period in the prior year. This has been consistent for each month collect this year.



**Finance Department**

November 9, 2011

Preliminary Unaudited

21

## FY 2012 Major Tax Revenues

- State Shared Auto Lieu
  - Continues to fall, down 7.49% for the year. YTD collections are \$535k less than the prior year. FY 2012 budget is 1.52% lower than actual FY 2011 collections.
- State Shared Income Tax
  - Budget reflects a decrease of \$6.4 million from the prior year. These collections are certain.



**Finance Department**

November 9, 2011

Preliminary Unaudited

22

## FY 2012 Major Tax Revenues

- Public Utility Tax
  - YTD revenue is up 14% over the same period in the prior year.
- Transient Occupancy Tax
  - Revenue collections are up 5% over the same period in the prior year.
- If these trends continue this revenue may offset the decrease in Auto Lieu.
- Development related revenue is up 16% YTD compared to the same period last year, however this revenue is often one-time.



**Finance Department**

November 9, 2011

Preliminary Unaudited

23

## FY 2012 Revenue Update

- Conclusion:
  - Nothing has come to our attention at this point that requires an adjustment due to revenue collections.
  - As always, staff will continue to monitor collections.



**Finance Department**

November 9, 2011

Preliminary Unaudited

24