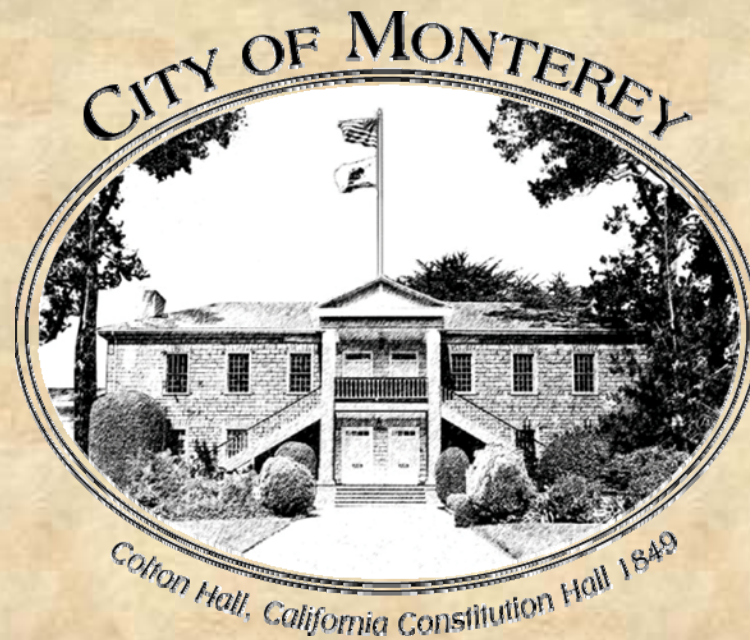


City of Monterey

December 2, 2008

1st Quarter Budget Review

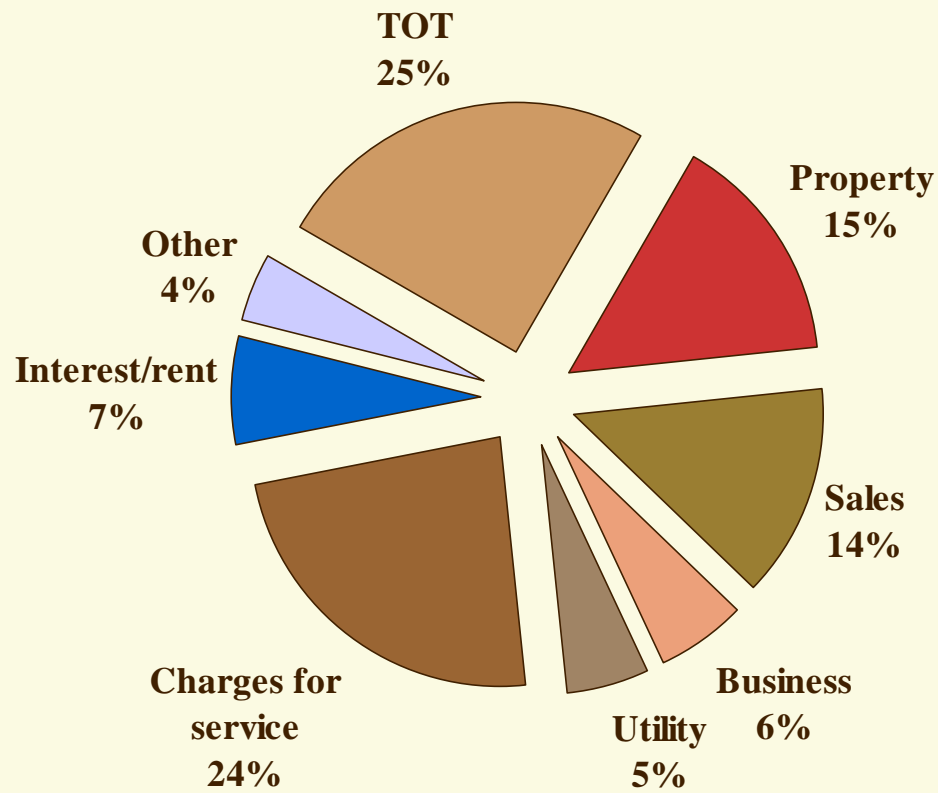


General Fund Highlights

FY 2007-08

- ☞ Available ending balance about \$745K higher than projected
- ☞ TOT, Sales, Property, Business License taxes came in close to estimate
- ☞ Some revenues came in higher
 - Sports Center (\$156K), Conference Center (\$148K), Permit/Plan Check fees (\$208K), Utility taxes (\$254K)
- ☞ Expenditures came in under budget,
 - however budget savings target not met by \$500K

General Fund Revenues 2007-08

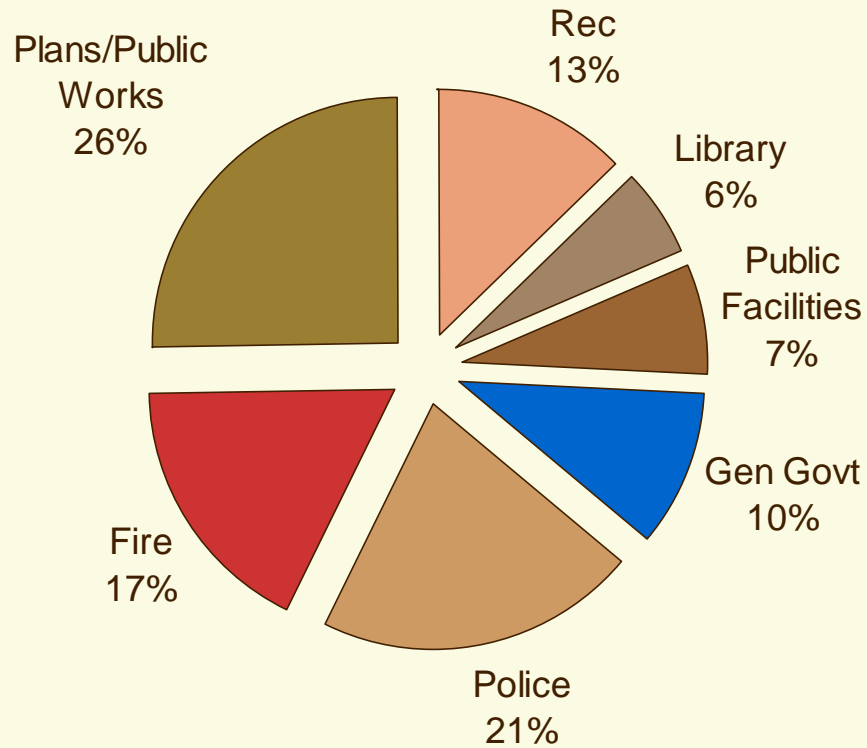


General Fund FY 08 Revenues = \$53.2 million

1st Quarter Budget Review

General Fund Expenditures

FY 2007-08



General Fund FY 08 Expenditures = \$56.6 million

1st Quarter Budget Review

General Fund Budget vs Actual FY 2007-08

(in millions)

	Budget	Actual	Variance
Operating revenues	\$ 52.38	\$ 53.21	\$ 0.83
Operating expenditures (net)	(54.95)	(55.45)	(0.50)
Operating transfers (net)	1.64	1.64	0.00
Net operating deficit	(0.93)	(0.60)	0.34
Beginning Balance	14.70	14.70	0.00
Redevelopment payback	4.32	4.43	0.11
CIP	(1.20)	(4.90)	(3.70)
Debt service	(1.14)	(1.14)	0.00
Other net transfers	(0.83)	0.55	1.38
	14.92	13.04	(1.87)
Reserves	14.20	11.58	(2.62)
Available balance/deficit	<u>\$ 0.72</u>	<u>\$ 1.46</u>	<u>\$ 0.75</u>

Budget Message from last February...

- ☞ State still has \$14-\$16 billion imbalance
- ☞ Infrastructure/facility renewal underfunded
- ☞ Uncertain economy
 - housing, credit, stocks
 - Potential revenue erosion
- ☞ Economic Uncertainty Reserve
 - Short of target by \$2.1 million

Budget Message from last June...

- ☞ Significantly under-funding capital facility and infrastructure renewal
 - Not unique to us, but a stewardship obligation we cannot ignore
- ☞ Unstable economy overall
- ☞ Revenues showing weakness
- ☞ State budget difficulties
- ☞ Redevelopment Agency repayment decreases in FY10

General Fund Highlights

1st Qtr FY 2008-09

- ☞ State to take \$449K in Redevelopment funds
 - State could take additional “loan”
 - Still has \$22B structural imbalance
- ☞ Revenue estimates lower by \$1.6 million
 - Operating shortfall of \$1.6 million
 - Ending balance deficit of \$1 million
- ☞ Operating Expenditures on target so far
- ☞ Significant economic uncertainty
 - Revenue could drop lower

TOT Revenue

General Fund and NIP
(millions)

		<u>Growth</u>
2004-05	\$13.6	6.1%
2005-06	14.2	4.1%
2006-07	15.2	6.9%
2007-08	15.9	4.6%
2008-09 orig. est.	18.0	13.7%
2008-09 “core” growth*		4.0%
2008-09 revised	17.1	7.7%
2008-09 “core” growth*		0.0%

* Not including new hotel

TOT late breaking news...

📄 Sep-Oct TOT down about 2%

– Factor out new/remodeled hotels: down 12%

📄 Year to date (Jul-Oct) up 4.2%

– Factor out new/remodeled hotels: down 6.6%

📄 Conference Center attendees/groups down

📄 May need to adjust again at mid-year

Sales Tax Revenue

(millions)

		<u>Growth</u>
2004-05	\$6.9	9.4%
2005-06	7.0	1.6%
2006-07	7.2	2.4%
2007-08	7.4	3.7%
2008-09 orig. est.	7.8	5.3%
2008-09 “core” growth		3.0%
2008-09 revised	7.2	-3.0%

Sales Tax Indicators

- 📄 Parking revenue down 11% Jul-Nov
- 📄 Aquarium general admission down 12% in Nov and down 4.4% year to date
- 📄 Other major retail sectors down

Factors Impacting Property Tax

- 📄 No change in revenue estimate at this time
- 📄 Foreclosures in County:
 - Monterey 1%, Salinas 61%
- 📄 Per County Assessor: Monterey AV up 4.3%
- 📄 Single family residences (2008 Q3):
 - Closed sales up 9% to 25 units
 - Ave days on market down 48% to 66 days
 - Median sales price down 15% to \$619K
- 📄 Will review again after Dec property tax payment arrives

Summary of 1st Qtr 2008-09 Revenue Estimate Changes

<u>Revenue</u>	<u>Change in Estimate</u>		
	<u>Ongoing</u>	<u>One-time</u>	<u>Total</u>
TOT	\$ (794,109)	\$ -	\$ (794,109)
Sales tax	(617,689)	-	(617,689)
Motor vehicle in-lieu	-	(120,000)	(120,000)
Interest income	-	(200,000)	(200,000)
Fire operations	72,530	-	72,530
Conference center	90,000	-	90,000
Change in estimate	<u>\$ (1,249,268)</u>	<u>\$ (320,000)</u>	<u>\$ (1,569,268)</u>

General Fund Operating Forecast

(in millions)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Operating revenues	\$ 53.21	\$ 54.07	\$ 56.40
Operating expenditures	(55.45)	(57.84)	(60.75)
Operating transfers (net)	1.64	2.15	1.44
Net operating deficit	<u>\$ (0.60)</u>	<u>\$ (1.63)</u>	<u>\$ (2.91)</u>

Major City Reserves

as of November 2008

(in millions)

General Fund

Economic Uncertainty	\$ 6.6
Capital Renewal	2.0
Continuing Capital Projects	1.7
Other	0.6

Other Funds

Public Services Center	2.6
Parking	8.8
Vehicle Replacement	1.0
Workers Compensation	6.4
General Liability	2.8

Recommended Budget Measures

- 📄 Develop scenarios for 5%, 10% and 15% in net budget reductions
- 📄 Review all currently vacant positions
- 📄 Evaluate CIP and NIP projects that have been previously approved
- 📄 Request that the NIP consider funding only essential maintenance and public safety projects in the next fiscal year

Recommended Budget Measures

- 📄 Explore additional service consolidation opportunities
- 📄 Work with labor organizations to consider financial strategies that would allow us to minimize potential layoffs
- 📄 Continue making investments that will enhance the long-term capacity of our organization

Recommended Budget Measures

- 📄 Be prepared to absorb and execute economic stimulus projects that may come from the State or Federal governments
- 📄 Develop and execute a public information strategy

