

Financial Update



Presented by:
Yvonne Ziomkowski
July 21, 2009

Agenda

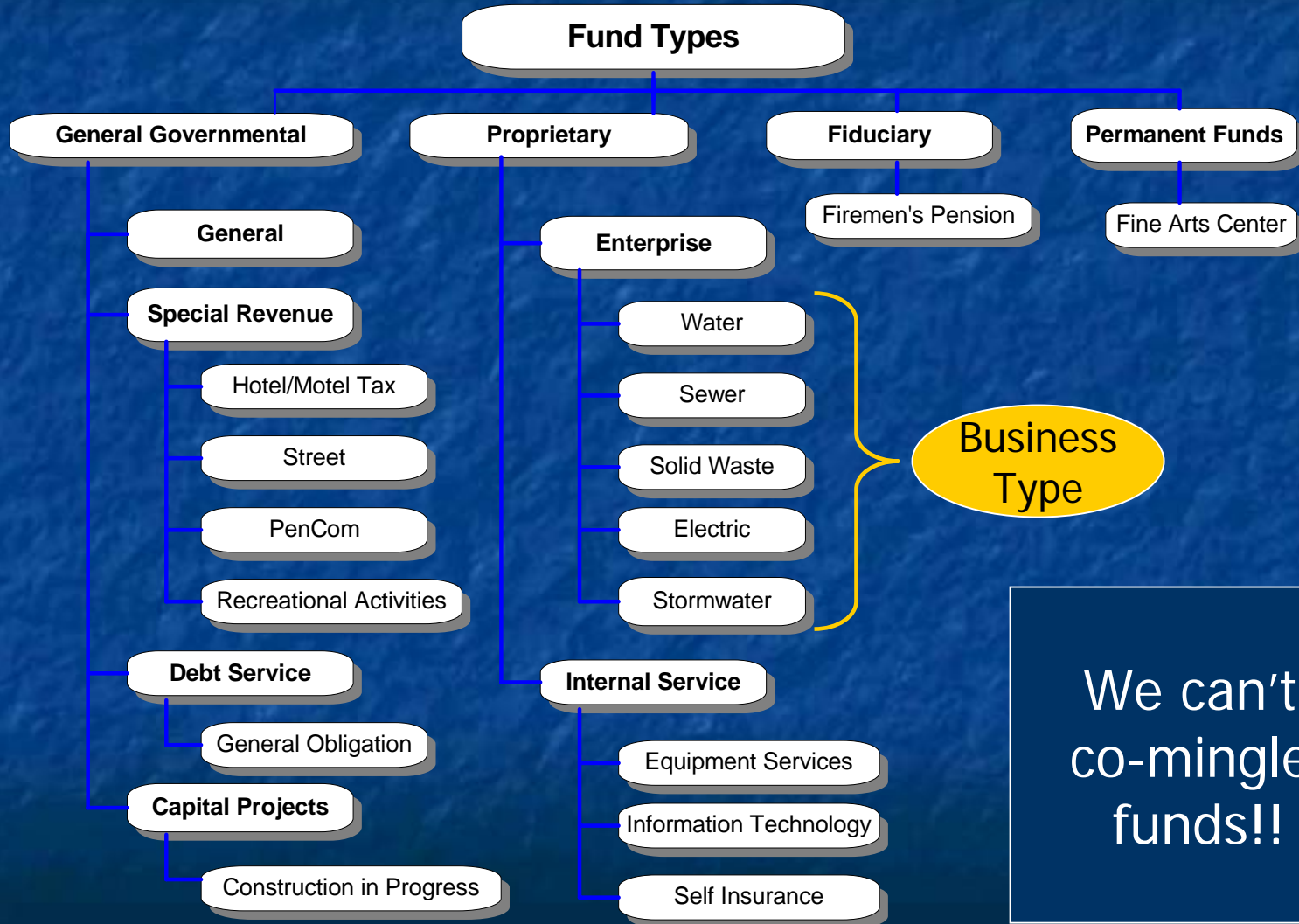
- How did we finish 2008?
- What is our 2009 mid-year financial position?
 - Revenues
 - Expenditures
- What challenges are we facing in the 2nd half of 2009?
- Building the City's 2010 budget

City Accounting

- The City of Port Angeles is a municipal corporation
 - Multiple independent companies accounted for in different funds
 - Working within one corporate structure



Accounting Structure



City Accounting - Funds

- Fund restrictions are largely driven by revenue limitations and use restrictions.

Example:
Lodging Tax

- One fund cannot “benefit” from another unless specifically permitted by state law.

2008 Year-End Financial Report



2008 Citywide Year-End position

2008 Citywide Budget vs. Actual

	Budget	Actual	Variance	
			\$	%
Revenue	112,716,790	113,310,146	593,356	0.53%
Expense	112,494,185	107,142,747	(5,351,438)	-4.76%
Rev - Exp.	222,605	6,167,399		

The majority of this is related to capital projects that were deferred to future years

2008 GF & Street Year-End Position

General Fund & Street Budget vs. Actual

	2008 Budget	2008 Actual	Variance	
			\$	%
Revenue	18,774,408	18,798,205	23,797	0.13%
Expenditure	20,510,748	19,695,396	-815,352	-3.98%
Rev-Exp	(1,736,340)	(897,191)	839,149	

Overall budget savings of just over \$800,000 in GF & Street

- Later in presentation we will give recommendations on how to use “savings”

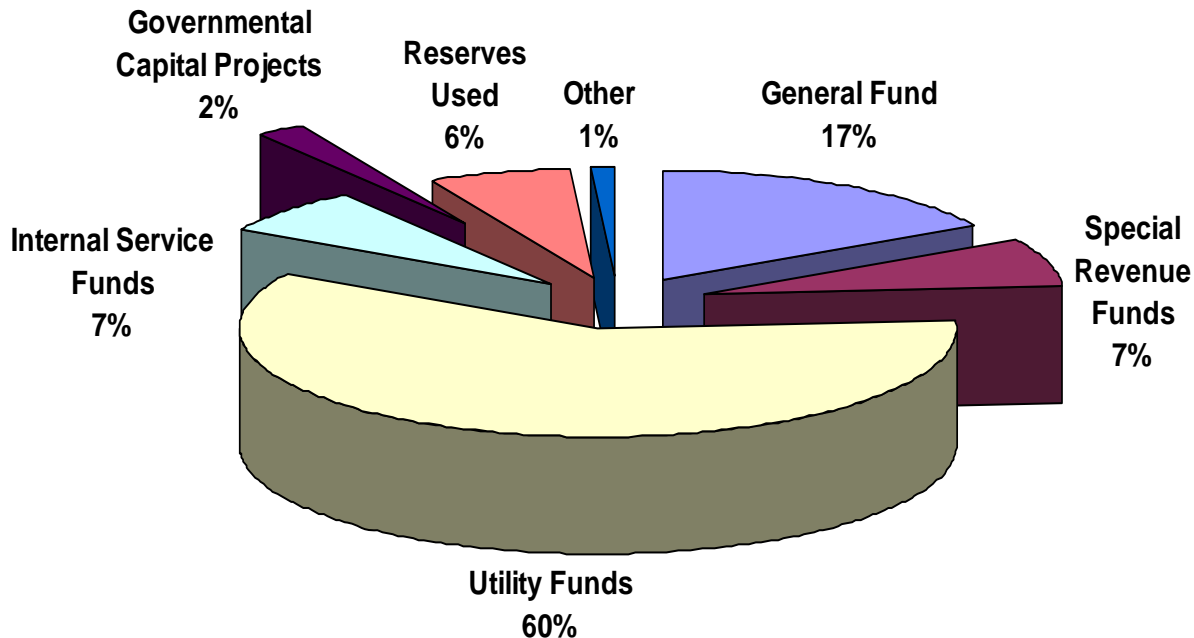
2009 Mid-Year Financial Update



2009 Mid-Year Citywide Overview

2009 Citywide Budget			
	Budget	YTD	% left
Revenue	96,818,512	43,510,940	55.1
Expense	103,307,699	39,252,235	62.0

Expenditures

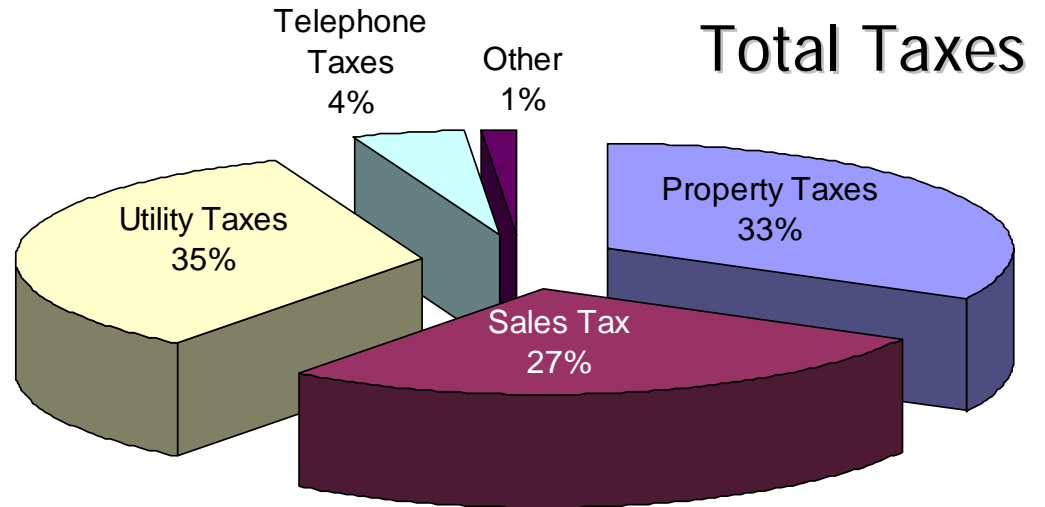
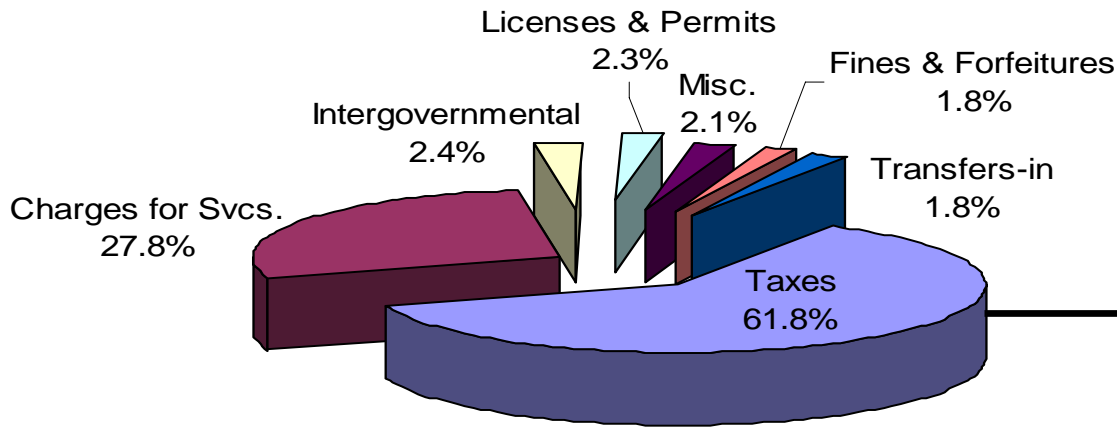


The majority of this is related to capital projects

General Fund

- Revenues
- Expenditures

GF Revenue Sources



General Fund Revenues

GENERAL FUND	2009		
	Budget	YTD	% left
Revenues	17,223,297	8,515,264	50.6%
Expenditures	17,223,297	8,682,079	49.6%
Rev - Exp.		- (166,815)	

The General Fund is lagging behind with **only 49.4%** of revenues collected through June

Historically we have collected 51-52% of revenues through the 1st half of the year

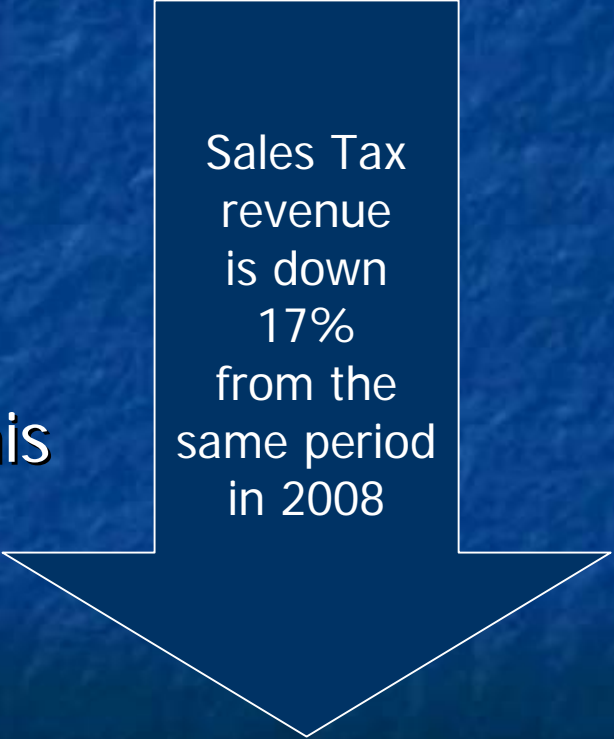
GF Revenue Sources

	% of GF Revenues	2009 Budget	Collected YTD	
			\$	%
Taxes	61.8%	10,640,424	5,258,621	49.4%
Charges for Services	27.8%	4,784,876	2,453,511	51.3%
Intergovernmental	2.4%	408,414	166,439	40.8%
Licenses & Permits	2.3%	404,634	161,293	39.9%
Miscellaneous	2.1%	355,749	152,500	42.9%
Fines/Forfeitures	1.8%	315,000	165,792	52.6%
Transfers In	1.8%	314,200	157,108	50.0%
Total	100.0%	17,223,297	8,515,264	49.4%

Pool revenues are ONLY included for the 1st quarter of 2009

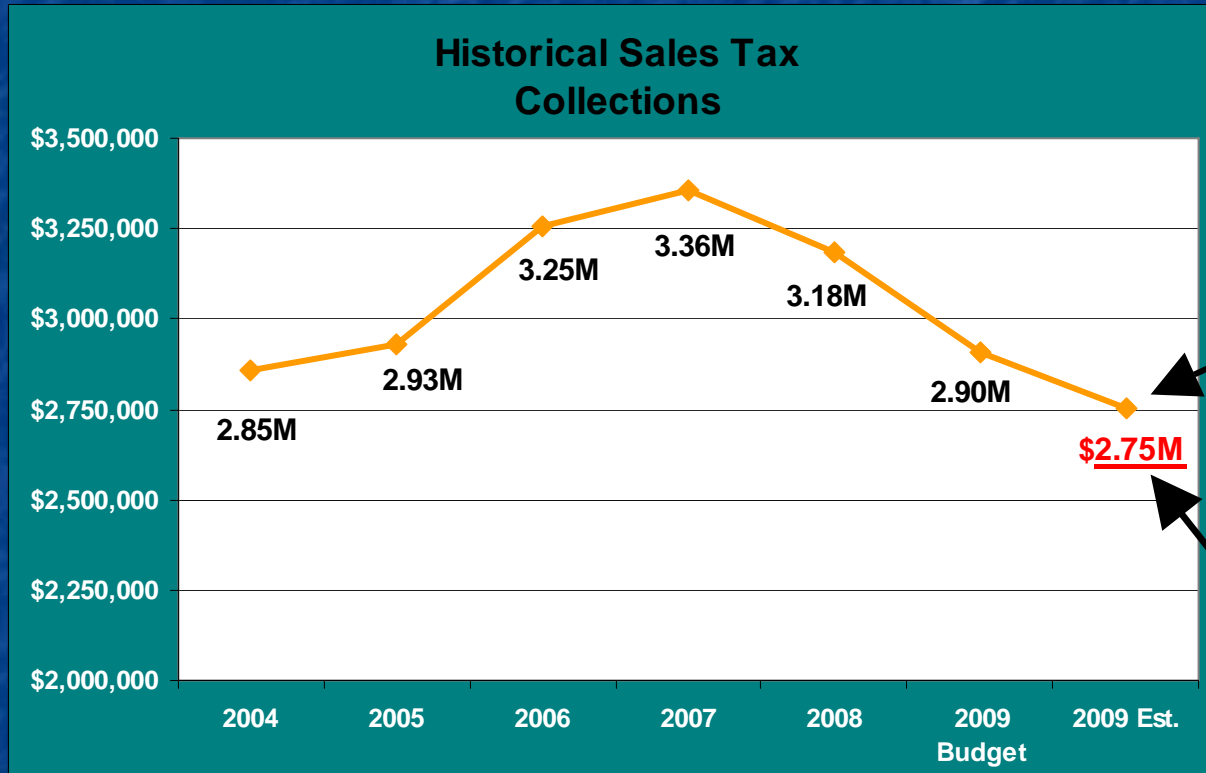
Sales Tax Revenue

- Represents 17% of total GF revenue (down from 18% in 2008)
- Collected just over \$1.3 M through June, almost 45% of budget
- Historically we have collected approximately 47% of budget at this point in year



Sales Tax revenue is down 17% from the same period in 2008

Historical Sales Tax



We propose reducing the 2009 YE Sales Tax projection by \$150K

This is the lowest level in 6 years!

Historical Sales Tax

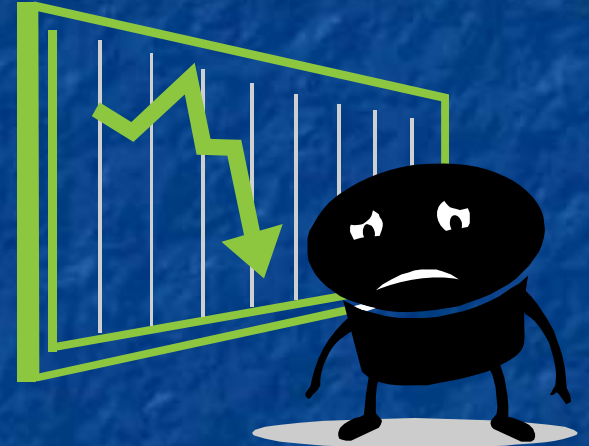
- We estimate ending 2009 with a 13.5% reduction in sales tax revenue from 2008.
- This is a loss of \$430K in the General Fund from last year. . .
- ...and a loss of over \$600K from 2007.



**Sales Tax
from
construction
is down
83%**

Sales Tax Challenges

- Spending power is down
- Economy is still in a recession
- Unemployment has increased significantly in 2009
- Consumer confidence continues to decline
- Businesses have closed or moved



Property Taxes

- 2nd largest revenue source in GF at 20.2% of budget
- Prior years growth was related to new construction, which has slowed significantly

CHALLENGES:

- New Construction - decreased
- Taxpayer Base – not growing
- Assessed Valuation – can go down
- Voter Initiatives – limiting revenue growth

Utility Taxes

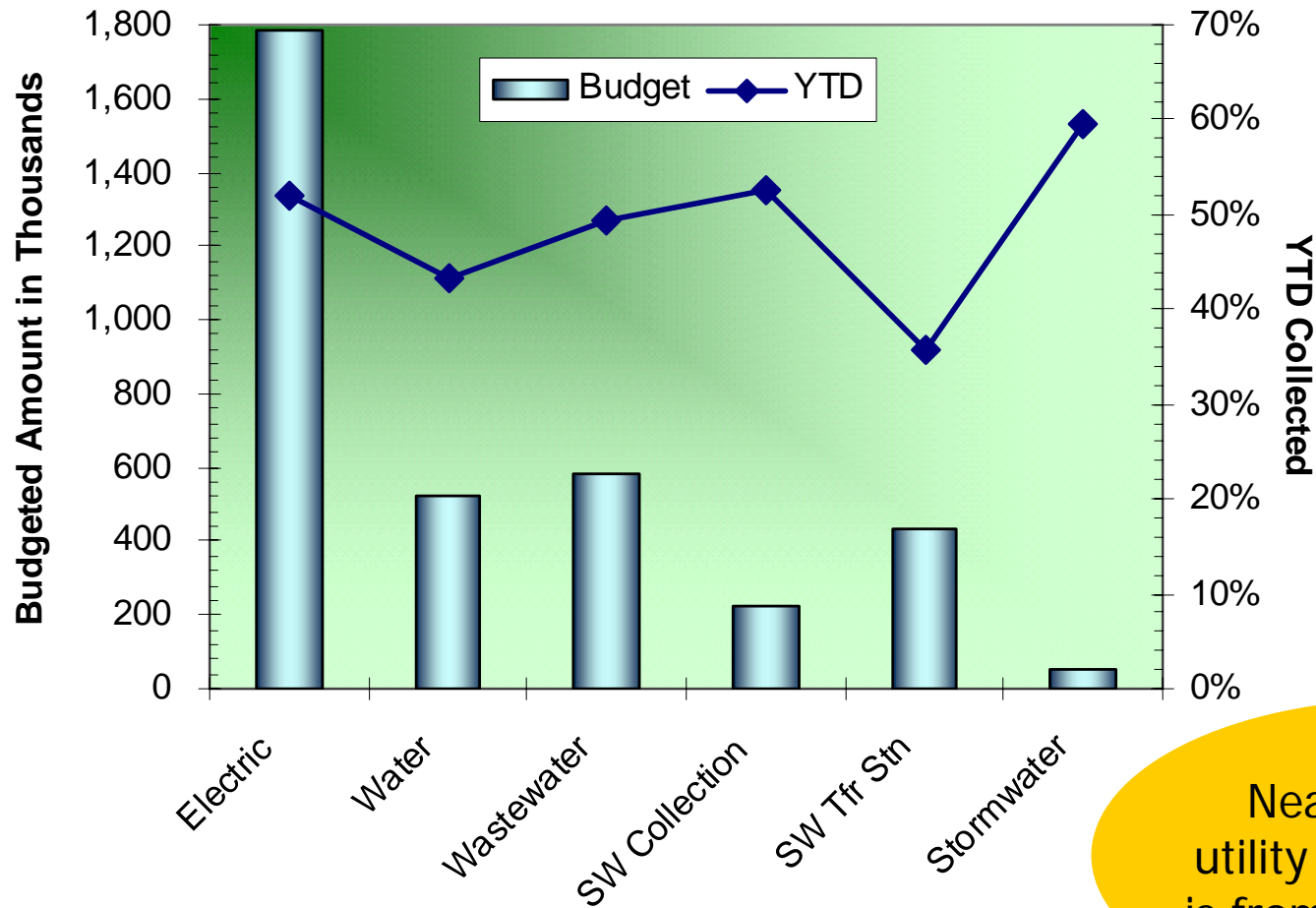
- Largest source of GF revenue at 20.9% of budget
- Almost \$1.75 M collected through June, or 48.4% of budget
- Historically, we have collected just over 50% at this point in the year

Challenges:

- More accounts in collections
- Almost NO growth in customer base
- Federal & State requirements
- Closure & furlough of businesses
- Unpredictable weather

We anticipate utility tax revenue coming in \$150K under budget

Utility Tax Collected through June

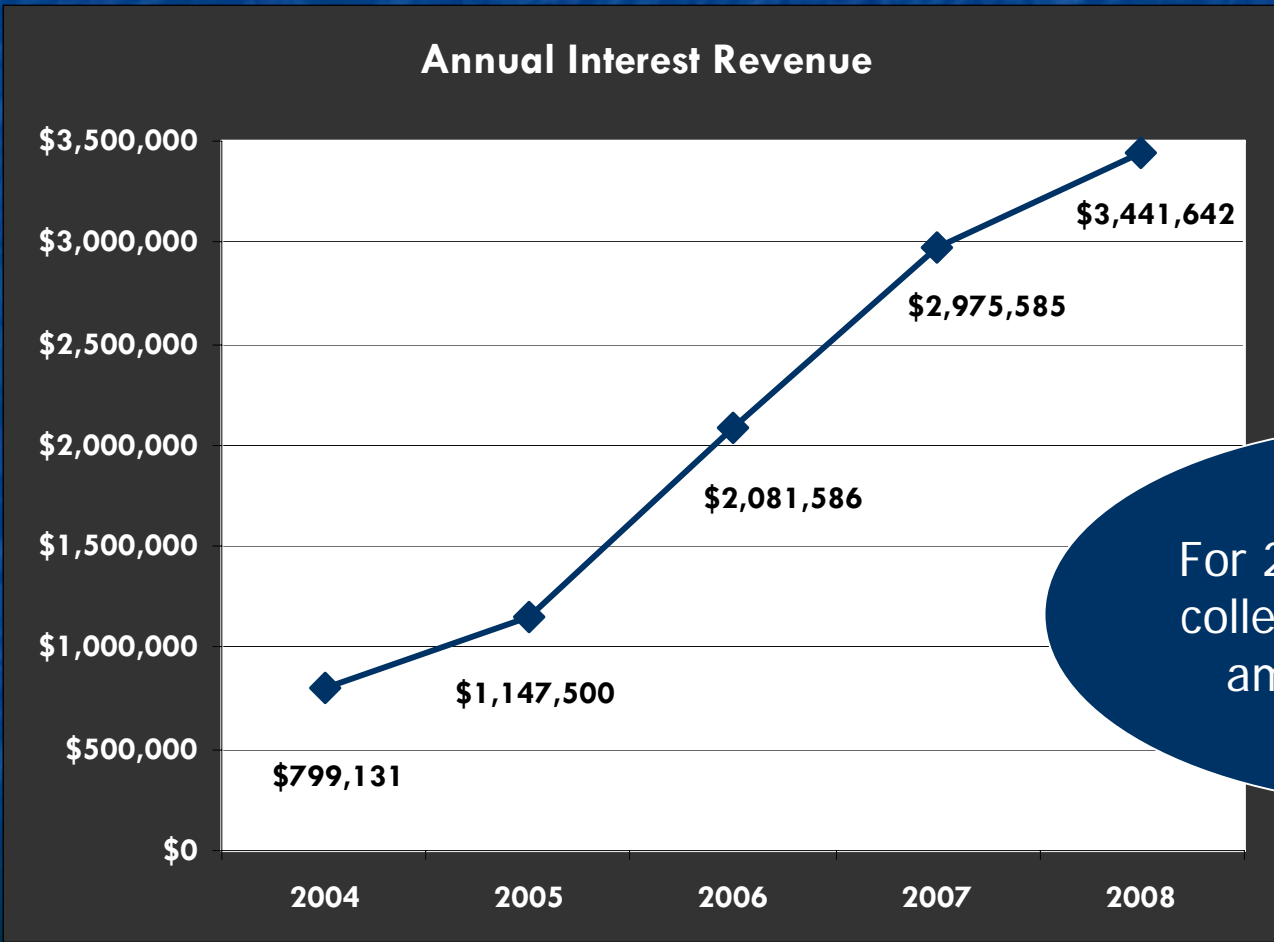


Nearly 50% of utility tax revenue is from Electric Utility

Investment Income

The interest rate on investments in the State Investment Pool is currently 0.77%

Annual Interest Revenue

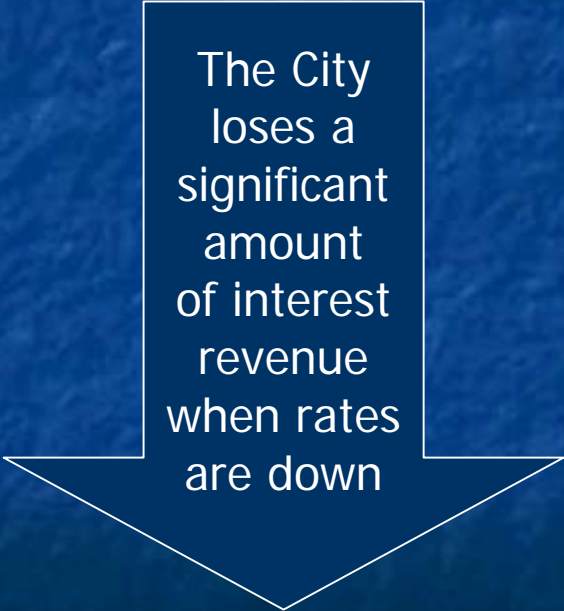


For 2009, we anticipate collecting the budgeted amount of \$1.95 M

Yield curve comparison

- Based on our \$70 M portfolio, the 3-month interest rates would affect returns as follows:

	3-mo. rate	Estimated revenue
2009	0.15%	\$ 105,000
2008	1.73%	1,211,700
2007	4.81%	3,363,500
2006	4.99%	3,493,000
2005	3.18%	2,226,000



The City
loses a
significant
amount
of interest
revenue
when rates
are down

Community Development Revenue

Revenue Collected through June

Revenue Source	2009 Budget	YTD Actual	% of Budget Collected
Building Permits	180,000	\$ 74,714	41.5%
Plumbing Permits	13,000	6,962	53.6%
Mechanical Permits	15,000	8,527	56.8%
Sign Permits	3,000	1,137	37.9%
Plan Checking Fees	70,000	91,212	130.3%
Planning Permits	6,700	3,780	56.4%
Zoning Fees	6,725	5,525	82.2%
Total Revenue	\$ 294,425	\$ 191,857	65.2%

We are over budget on the Plan Checking fees due to the construction project at Peninsula College

Building Permit revenue is estimated to come in \$40K over budget

This is not a major revenue source, BUT it is a major indicator of economic growth

General Fund Expenditures

GENERAL FUND	2009		
	Budget	YTD	% left
Revenues	17,223,297	8,515,264	50.6%
Expenditures	17,223,297	8,682,079	49.6%
Rev - Exp.	0	(166,815)	

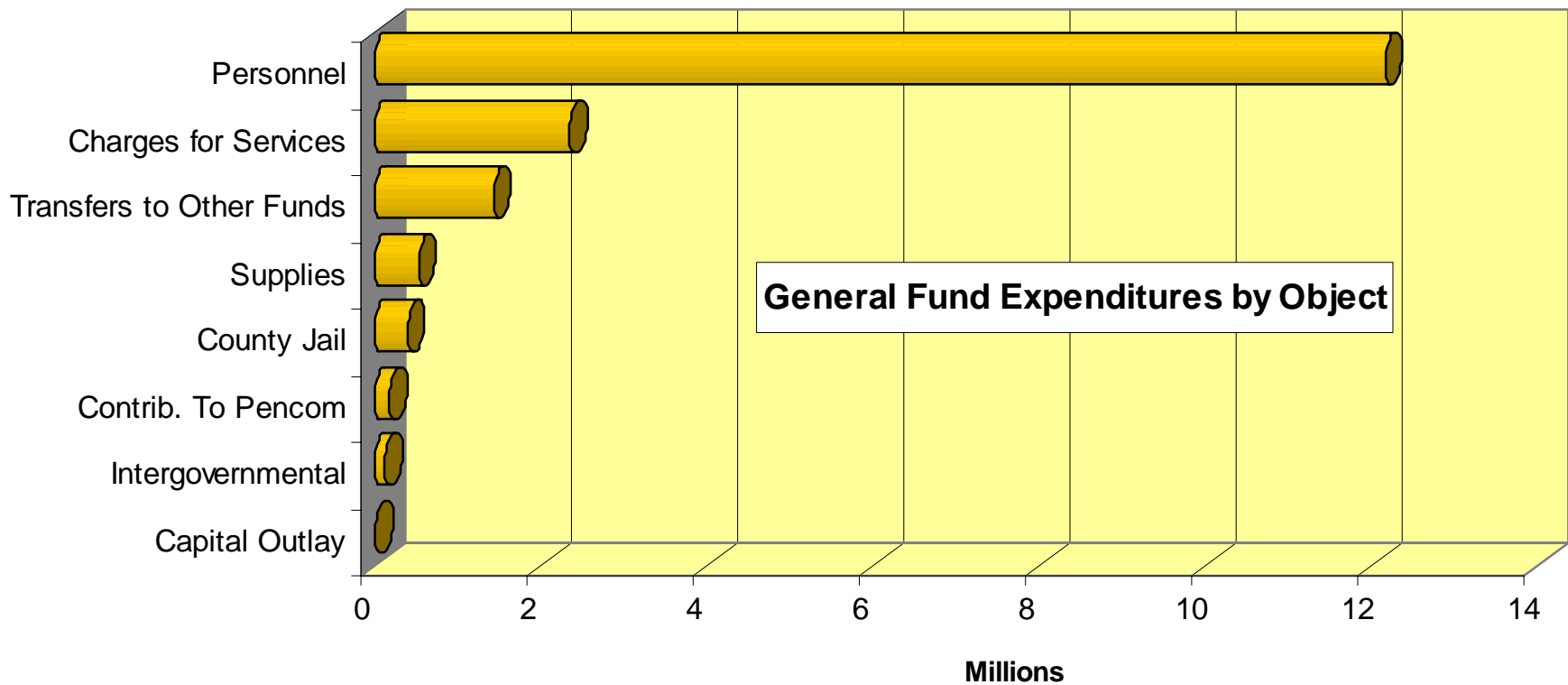
Pool expenditures are ONLY included for the 1st quarter of 2009

Expenditures exceeded revenues by almost \$167K through June

General Fund Expenditures

	% of GF Expenditures	2009 Budget	<u>Spent YTD</u>	
			\$	%
Personnel	70.7%	12,173,567	6,014,536	49.4%
Supplies	3.1%	538,207	254,196	47.2%
Charges for Services	14.7%	2,525,915	1,149,111	45.5%
Intergovt/Transfers	11.5%	1,977,977	1,264,236	63.9%
Capital	0.0%	7,631	-	0.00%
Total	100.0%	17,223,297	8,682,079	50.4%

General Fund Expenditures



General Fund Expenditures

- Don't forget:
 - Seasonal activity (parks and building permits)
 - One-time transfers
 - Pool operations only included for 1st quarter
- Personnel expenditures on target with 49.4% of budget expended through June
 - Delay in filling vacancies

2009 Year-End Forecast



General Fund YE Estimate

GENERAL FUND				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	17,612,885	17,223,297	8,515,264	16,980,828
Expenditures	18,164,106	17,223,297	8,682,079	17,131,264
Net Change in Fund Balance	(551,221)	-	(166,815)	(150,436)
Fund Balance-Beginning	4,949,244	4,398,023		4,398,023
Fund Balance-Ending	4,398,023	4,398,023		4,247,587

Includes over \$1.6 M in support to other funds

Community Support:
 United Way: \$62,500
 Marine Life Center: \$22,500

- Support to other funds:**
- CIP \$575,000
 - Medic I 388,223
 - Street 198,800
 - Rec. Activities 190,000
 - PenCom 189,674
 - Debt Service 45,154
 - Fine Arts Center 27,500

General Fund Summary

- For year-end, we estimate:
 - Revenues to be \$240K under budget due to lower than anticipated tax revenues
 - Expenses to be under budget by approximately \$90K from vacant positions
 - This will result in a GF **shortage of approximately \$150K**

How will we
cover this deficit?

Steps We Have Taken to Reduce Expenditures

- Length of employment for seasonal employees was decreased
- Salaries of seasonal employees were reduced
- Hiring process has been postponed and carefully evaluated.
- Tight control over purchases
- Capital Projects are carefully evaluated

General Fund Reserves

- Current Financial Management Policy sets minimum fund balance at 10% of GF expenditures, or approximately \$1.7 M
- GFOA recommends 2 months of GF expenditures as reserves, or \$2.7 M
- City policy requires budgetary “savings” to be designated to capital projects

2008 YE
Reserves
Almost \$4.4 M

**In 2008, we allocated
\$1.7 M to Public Works
capital projects using
“savings” from 2007**

Special Revenue Funds

Street Fund Revenues

	% of Street Revenues	2009 Budget	Collected YTD	
			\$	%
Property Tax	28.6%	482,299	241,150	50.0%
Gas Taxes	26.6%	448,770	195,052	43.5%
General Fund Transfers	11.8%	198,800	99,400	50.0%
Other Funds Transfers	30.5%	513,931	256,961	50.0%
Miscellaneous	2.4%	40,208	18,255	45.4%
Total	100.0%	1,684,008	810,818	48.1%

We estimate a shortfall of \$30K in gas taxes

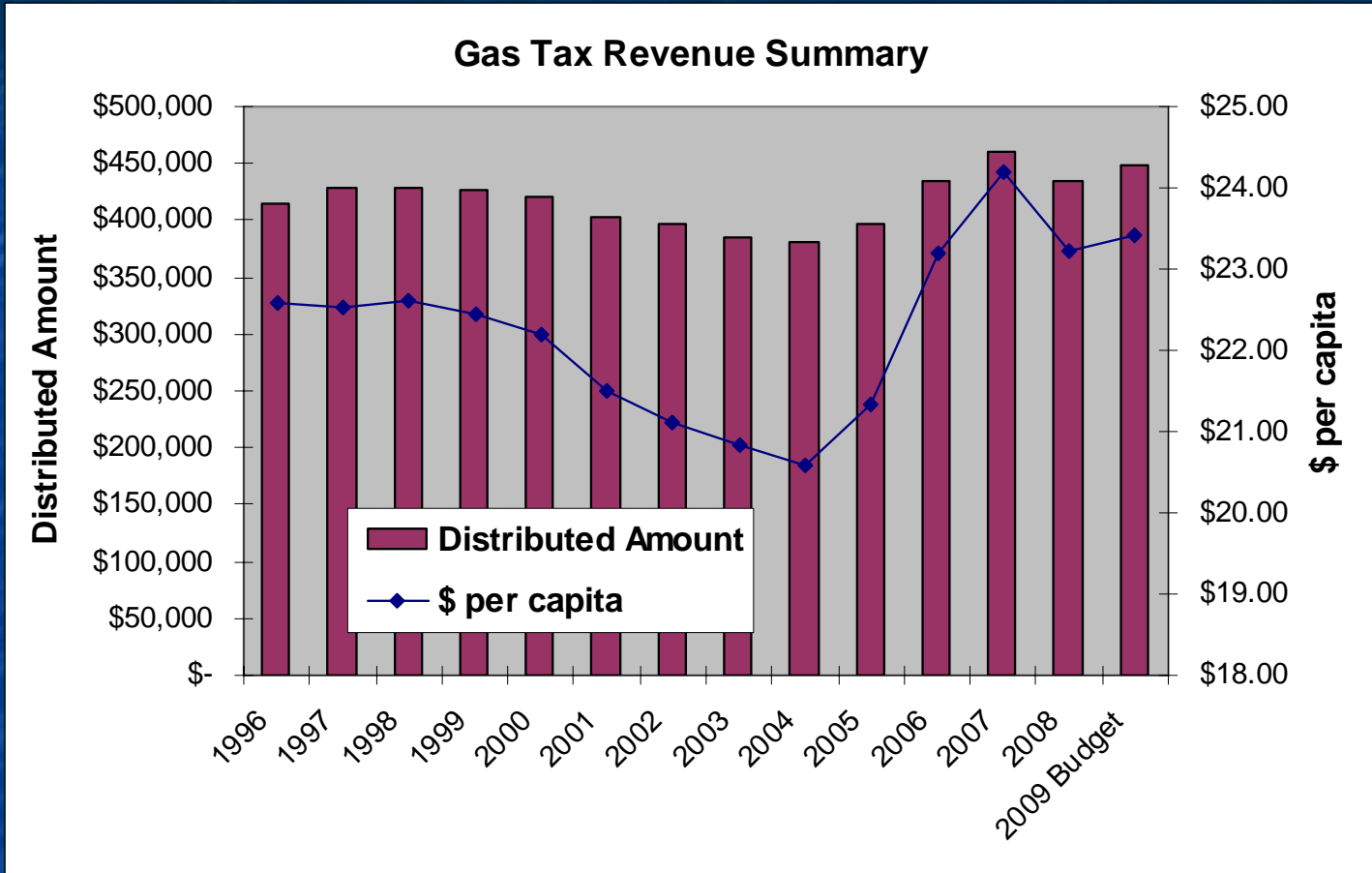
Gas Tax Revenue

Gas Tax Revenue

Year	Actual	\$ per capita
2004	259,183	20.59
2005	396,108	21.33
2006	434,257	23.20
2007	459,652	24.19
2008	435,257	23.21
2009 Budget	448,770	23.41

The YE revenue estimate will be reduced by \$30K (to \$418,770) for 2009 based on YTD collections.

We have only collected 43.5% of budget; historically we are at 44.4% through June



In 1992, Gas Tax supported 42% of Street operations...In 2009, only 26%

Street Fund Expenditures

	% of Street Expenditures	2009 Budget	Spent YTD	
			\$	%
Personnel	59.2%	996,618	398,505	40.0%
Supplies	15.9%	267,213	62,769	23.5%
Charges for Services	25.0%	420,177	182,566	43.4%
Total	100.0%	1,684,008	643,840	38.2%

2 new positions were not filled in 2009

- we estimate a \$130K reduction in expenditures
AND
- a \$130K reduction in revenue from Stormwater Utility

Street Fund YE Estimate

	STREET			
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	1,528,887	1,684,008	810,818	1,524,008
Expenditures	1,470,458	1,684,008	643,840	1,553,734
Net Change in Fund Balance	58,429	-	166,978	(29,726)
Fund Balance-Beginning	607,809	666,238	666,238	666,238
Fund Balance-Ending	666,238	666,238		636,512



Includes a transfer of nearly \$200K from the General Fund and \$482K in property tax

Total General Fund support is nearly \$700K

Economic Development Fund

REVENUES	% of Total Revenues	2009 Budget	Collected YTD	
			\$	%
Interest on Investments	64.4%	262,500	52,552	20.0%
Transfer-Electric Utility Rural Econ. Dev.	6.1%	25,000	12,502	50.0%
Transfer-Electric Fund	14.7%	60,000	30,000	50.0%
Transfer-Water Fund	7.4%	30,000	15,000	50.0%
Transfer-Wastewater Fund	7.4%	30,000	15,000	50.0%
Total	100.0%	407,500	125,054	30.7%

We are under budget with revenues and expenses

EXPENDITURES	% of Total Expenditures	2009 Budget	Spent YTD	
			\$	%
Charges For Services	90.6%	668,825	88,672	13.3%
Personnel	9.3%	68,696	35,873	52.2%
Supplies	0.1%	700	989	141.3%
Total	100.0%	738,221	125,534	17.0%

Economic Development YE Estimate

ECONOMIC DEVELOPMENT				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	587,927	407,500	125,054	407,500
Expenditures	2,734,517	738,221	125,534	737,209
Net Change in Fund Balance	(2,146,590)	(330,721)	(480)	(329,709)
Fund Balance-Beginning	8,542,592	6,396,002		6,396,002
Fund Balance-Ending	6,396,002	6,065,281		6,066,293

Cultural Resources YE Estimate

CULTURAL RESOURCES FUND				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	473,259	297,500	2,363	297,500
Expenditures	133,396	342,543	67,176	341,599
Net Change in Fund Balance	339,863	(45,043)	(64,813)	(44,099)
Fund Balance-Beginning	-	339,863		339,863
Fund Balance-Ending	339,863	294,820		295,764

Revenues should come in as budgeted as we anticipate receiving the full \$280,000 from the State in 2009

Lodging Tax YE Estimate

LODGING TAX				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	514,761	493,205	122,154	435,000
Expenditures	425,159	574,921	239,859	654,921
Net Change in Fund Balance	89,602	(81,716)	(117,705)	(219,921)
Fund Balance-Beginning	375,345	464,947		464,947
Fund Balance-Ending	464,947	383,231		245,026

We lowered the YE revenue estimate by nearly \$60K based on current receipts

REET 1&2 YE Estimate

	REET Funds			
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	267,309	385,078	114,789	285,000
Expenditures	158,189	553,489	409,389	553,489
Net Change in Fund Balance	109,120	(168,411)	(294,600)	(268,489)
Fund Balance-Beginning	776,377	885,497	885,497	885,497
Fund Balance-Ending	885,497	717,086		617,008

The YE revenue estimate is reduced by \$100K based on lower than expected receipts

PenCom YE Estimate

PENCOM FUND				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	2,218,262	2,328,555	1,034,272	2,338,983
Expenditures	2,135,251	2,503,557	1,202,192	2,448,147
Net Change in Fund Balance	83,011	(175,002)	(167,920)	(109,164)
Fund Balance-Beginning	825,303	908,314		908,314
Fund Balance-Ending	908,314	733,312		799,150

Includes charges of **\$189,674** to General Fund for operations

Major Revenue Sources:

- Sales Tax
- 911 Phone Tax
- User Fees
- Sales Tax for capital

Criminal Justice YE Estimate

CRIMINAL JUSTICE FUND

	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	276,453	258,000	111,178	240,000
Expenditures	235,000	235,000	117,502	235,000
Net Change in Fund Balance	41,453	23,000	(6,324)	5,000
Fund Balance-Beginning	299,728	341,181		341,181
Fund Balance-Ending	341,181	364,181		346,181

Includes a \$200,000 transfer to Patrol and a \$35,000 transfer to Legal, both in the General Fund

Major Revenue Source:

- Sales Tax

The YE revenue estimate is reduced by \$18K

Electric Utility Rural Economic Development YE Estimate

ELECTRIC UTILITY RURAL ECONOMIC DEVELOPMENT				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	61,544	56,000	27,031	56,000
Expenditures	25,000	50,000	12,502	50,000
Net Change in Fund Balance	36,544	6,000	14,529	6,000
Fund Balance-Beginning	190,883	227,427		227,427
Fund Balance-Ending	227,427	233,427		233,427

Major Revenue Source:
 • Transfer from Electric Utility

Treatment Plant Operations & Maintenance YE Estimate

TREATMENT PLANT OPERATIONS & MAINTENANCE				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	2,554,975	200,000	67,888	200,000
Expenditures	-	-	-	-
Net Change in Fund Balance	2,554,975	200,000	67,888	200,000
Fund Balance-Beginning	5,465,975	8,020,950		8,020,950
Fund Balance-Ending	8,020,950	8,220,950		8,220,950

This fund will be reclassified as a utility fund in 2009

PA Housing Rehab YE Estimate

PORT ANGELES HOUSING REHAB				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	805,059	1,016,444	169,345	1,016,444
Expenditures	786,753	1,153,444	123,840	1,153,444
Net Change in Fund Balance	18,306	(137,000)	45,505	(137,000)
Fund Balance-Beginning	409,880	428,186		428,186
Fund Balance-Ending	428,186	291,186		291,186

Major Revenue Source:

- Community Development Block Grant to be used for Wildwood Terrace & Maloney Heights projects

Recreational Activities YE Estimate

RECREATIONAL ACTIVITIES				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	367,111	405,300	214,580	391,583
Expenditures	366,906	405,300	198,647	391,583
Net Change in Fund Balance	205	-	15,933	-
Fund Balance-Beginning	100,588	100,793		100,793
Fund Balance-Ending	100,793	100,793		100,793

Includes a transfer of **\$176,283** from the General Fund to support operations

- Major Revenue Sources:**
- User Fees
 - General Fund support
 - Lodging Tax Fund support

Miscellaneous Funds YE Estimate

MISCELLANEOUS FUNDS *				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	28,302	19,150	11,901	19,150
Expenditures	28,683	11,000	1,618	11,000
Net Change in Fund Balance	(381)	8,150	10,283	8,150
Fund Balance-Beginning	423,002	422,621		422,621
Fund Balance-Ending	422,621	430,771		430,771

*** Includes:**
Community Development Grants
K-9
Firearms Range
Drug Task Force
Senior Center Maintenance
Waterfront Trail
Contingency Fund

Debt Service Funds

Debt Service Funds YE Estimate

DEBT SERVICE FUNDS *				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	981,636	997,694	518,143	997,390
Expenditures	1,004,379	1,006,467	162,778	1,006,467
Net Change in Fund Balance	(22,743)	(8,773)	355,365	(9,077)
Fund Balance-Beginning	1,054,362	1,031,619		1,031,619
Fund Balance-Ending	1,031,619	1,022,846		1,022,542

* Includes:

2001 Refunding GO Bond
LID Control
2005 Refunding GO Bond
2005 LTGO Bond
2006 LTGO Bond

Major Revenue Sources:

- Property Taxes
- Transfers from other funds
- Interest

Capital Projects Funds

Capital Improvement Fund YE Estimate

CAPITAL IMPROVEMENT FUND				
	2008 Year-End	2009 Budget	As of 6/30/2009	Projected 12/31/2009
Revenues	3,546,281	1,305,000	1,697,939	3,420,897
Expenditures	5,435,981	1,560,000	430,431	3,706,396
Net Change in Fund Balance	(1,889,700)	(255,000)	1,267,508	(285,499)
Fund Balance-Beginning	2,601,802	712,102		712,102
Fund Balance-Ending	712,102	457,102		426,603

Major Revenue Sources:

Grants
Stimulus Funding
Transfers from other funds

Includes a transfer of **\$575,000** from the General Fund for street projects

Capital Projects

Current Capital Projects Include:

- Gateway
- 8th Street Bridges
- Street Overlay Program
- Peabody Street Reconstruction
- Conservation Study
- NICE Program
- Civic Field upgrades



Enterprise Funds



- What to look for in utilities:
 - Is our customer base growing?
 - How do our rates compare with other utilities?
 - What is our delinquency ratio?
 - Are we meeting debt requirements?



Electric Utility

ELECTRIC FUND

	2008 Year-End	2009 Budget	As of 6/30/2009	% Left
Revenues	33,667,253	30,236,163	15,769,961	47.8%
Expenditures	30,560,784	29,588,983	13,112,561	55.7%
	3,106,469	647,180	2,657,400	
Cash - Ending	4,094,884	4,742,064		

2008 revenue includes \$1.1M from BPA

- Utility serves over 10,500 customers
- Residential rates are 5.82 cents/kwh, plus base rate of \$11/mo.
- Avg. residential bill is \$106.38/mo.

Water Utility

WATER FUND

	2008 Year-End	2009 Budget	As of 6/30/2009	% Left
Revenues	5,477,482	5,353,038	2,348,702	56.1%
Expenditures	6,046,460	6,216,581	2,048,520	67.0%
	(568,978)	(863,543)	300,182	
Cash - Ending	1,920,126	1,056,583		

2008 revenue
includes \$660K
from
PWTF loans

- Utility serves over 8,000 customers
- Rates increased 7% in 2008 and 7.5% in 2009
- Avg. residential bill is \$38.42/mo.

Wastewater Utility

2008 revenue includes \$2.1M from PWTF loans

WASTEWATER FUND

	2008 Year-End	2009 Budget	As of 6/30/2009	% Left
Revenues	10,067,204	14,174,900	2,945,371	79.2%
Expenditures	6,085,854	16,240,870	2,288,201	85.9%
	3,981,350	(2,065,970)	657,170	
Cash - Ending	6,771,311	4,705,341		

Just over \$3.1M is reserved for CSO

- Utility serves over 7,100 customers
- Rates increased 29% on average in 2009
- Residential bill is \$48.60/mo. (<430 cf)
- Residential bill is \$54.10/mo. (>430 cf)

Solid Waste Collections Utility

SOLID WASTE COLLECTION FUND

	2008 Year-End	2009 Budget	As of 6/30/2009	% Left
Revenues	3,332,927	3,333,000	1,614,727	51.6%
Expenditures	3,075,028	3,549,358	1,645,232	53.6%
	257,899	(216,358)	(30,505)	
Cash - Ending	3,441,166	3,224,808		

- Utility serves 7,100 residential customers
- Utility serves 850 commercial customers
- Weekly rate equals \$27.20; biweekly is \$19.75

Solid Waste Transfer Station Utility

SOLID WASTE TRANSFER STATION/LANDFILL FUND

	2008 Year-End	2009 Budget	As of 6/30/2009	% Left
Revenues	5,208,093	5,677,850	2,309,246	59.3%
Expenditures	5,933,670	6,584,325	2,222,718	66.2%
	(725,577)	(906,475)	86,528	
Cash - Ending	2,711,209	1,804,734		

- \$114.90/ton for municipal solid waste

Nearly \$3.8M is reserved for Landfill Post-closure

Stormwater Utility

STORMWATER FUND

	2008 Year-End	2009 Budget	As of 6/30/2009	% Left
Revenues	744,789	718,000	417,919	41.8%
Expenditures	433,812	1,083,783	329,846	69.6%
	310,977	(365,783)	88,073	
Cash - Ending	431,737	65,954		

- Rates \$6/mo. for residential properties

Medic I

MEDIC I

	2008 Year-End	2009 Budget	As of 6/30/2009	% Left
Revenues	1,373,828	1,447,616	691,847	52.2%
Expenditures	1,346,753	1,447,616	700,244	51.6%
	27,075	-	(8,397)	
Cash - Ending	50,174	50,174		

Major Revenue Sources:

- Monthly fees
- Ambulance transport fees
- GF support

Rate is \$4.35 per residential unit

Conservation Fund

CONSERVATION FUND

	2008 Year-End	2009 Budget	As of 6/30/2009	% Left
Revenues	349,764	350,152	173,826	50.4%
Expenditures	329,063	1,307,708	237,263	81.9%
	20,701	(957,556)	(63,437)	
Cash - Ending	1,281,290	323,734		

Internal Service Funds

Internal Service Funds Activity through June 2009

- Equipment Services:
 - Spent 35% of budget
 - Only 16% of budgeted equipment has been purchased
- Information Technology:
 - Spent 26% of budget
 - Only 4% of capital budget has been spent
- Self Insurance:
 - Spent 48% of budget

Challenges in Future



Budget Challenges

- Over the last 10 years, the City has lost revenue sources, but absorbed additional services, as well as state and federal mandates
- We tried to balance the budget by doing more with less revenue
- We made cuts to travel/training, supplies, and even personnel without cutting services; until 2009 when we had to cut services



Lost Revenue Sources

- Over the last 10 years, the City has:
 - LOST approximately \$2M in ongoing revenue
 - Motor Vehicle Excise Tax
 - Sales Tax
 - Gambling Taxes
 - Utility Taxes due to Rayonier
 - Closure of major businesses and some retail shops
 - Property Taxes due to limitations on growth rates (from 6% to 2% to 1%)
 - Absorbed additional charges, services, and mandates of over \$1M
 - District Court
 - Jail Costs
 - Prosecution

Challenges

- Threats to Revenue sources
 - Consumer confidence in spending
 - Unemployment
 - Lower level of construction activity
 - Voter approved initiatives
 - Facing Initiative 1033

ECONOMY

ECONOMY

ECONOMY

These threats could have a **MAJOR IMPACT** on our overall revenue growth and ability to provide basic services

Initiative 1033

- What is Initiative 1033?
 - Limits growth in all general fund revenues
 - Total revenue growth will be limited by inflation (IPD) and the population index
 - General Fund revenue is defined as the aggregate of revenue from taxes, fees, and other governmental charges (we assume this is General Fund & Street)
 - Any revenue collected above the cap would be used to reduce property taxes

Concerns with I-1033

- Why are we concerned?
 - Establishing 2009 as baseline would be devastating, since this is the lowest revenue level in several years
 - Replenishing reserves will be impossible even when economy rebounds since potential growth would be so limited
 - Would slow economic recovery
 - Threatens all basic services

More concerns with I-1033

- In the future we will have to go to voters to approve funding for our core services, including public safety and parks.
- Is misleading and complicated

At this time, the number of questions is endless



Building the City's 2010 Budget



**A good budget process
aligns requirements
with the overall plan for
service to the community.**



And ties everything to available revenues

Evaluate & Prioritize

- What are the community goals and priorities?
- How are resources being allocated?
- Are we achieving the intended results?
- Are we efficient?
- Budget policy or objectives achieved?
- Capital projects completed
 - on time?
 - within budget?

And...More

- How will costs be recovered?
- How will this impact the current and future operating budget?
- How will this help us to accomplish our goals?
- **Will this generate additional revenue?**

And Remember...

- All of your decisions have short and long term impacts on the budget
- Changes in priorities, supplemental requests, additional projects, etc. require changes in the distribution (allocation) of funds

It's a Long Term Horizon...

- What is that we see on the horizon?
- Long Range thinking.



**Set time for long range visioning process –
it doesn't happen automatically**

Vision = Purpose

Next Step

- Actual preparation of the 2010 budget
- More meetings and workshops
- Difficult decisions to make

QUESTIONS?