

What's Ahead Of Us?

Economic Outlook

Main Reasons for Budgetary Challenges

- Revenues:
 - Voters Initiatives limited revenue growth AND eliminated revenue sources
- Expenses:
 - New services and charges
 - Federal/State mandates
- Economy

Why 2009 Budget Challenges?

Over last 10 years, the City lost major revenue sources

- City lost approximately \$2 M in revenues

... **BUT, we absorbed additional services**

- We absorbed charges and mandates of over \$1M

And the GAP is growing!

Budget Challenges

We tried to balance the budget with cuts in travel and training, supplies, etc., without cutting services

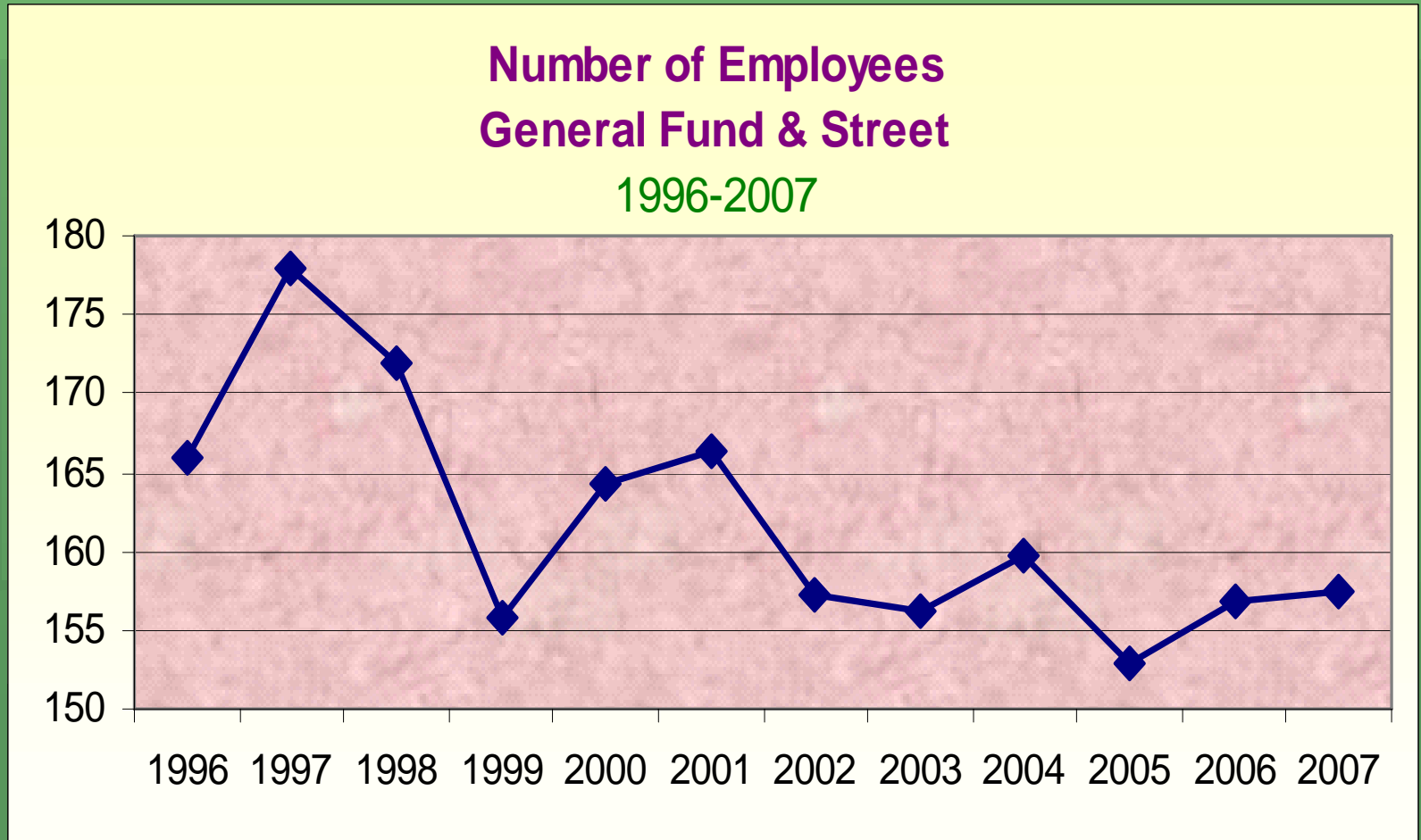
**We CANNOT continue to do more
with less!**

Making these cuts and pushing employees beyond their stress level is not working any more...

**We are at the
BREAKING
POINT . . .**



General Fund & Street Employees



If we don't make difficult decisions now, in 2009 we will be below the minimum level of reserves. . . .



. . . and by the year 2010 the City will have **NO** reserves left.

Local Economy...

- Demographics
- Employment
- Income
- Housing
- Oil & Gas
- Bear market

Recession

Demographics 2000-2008

Washington State

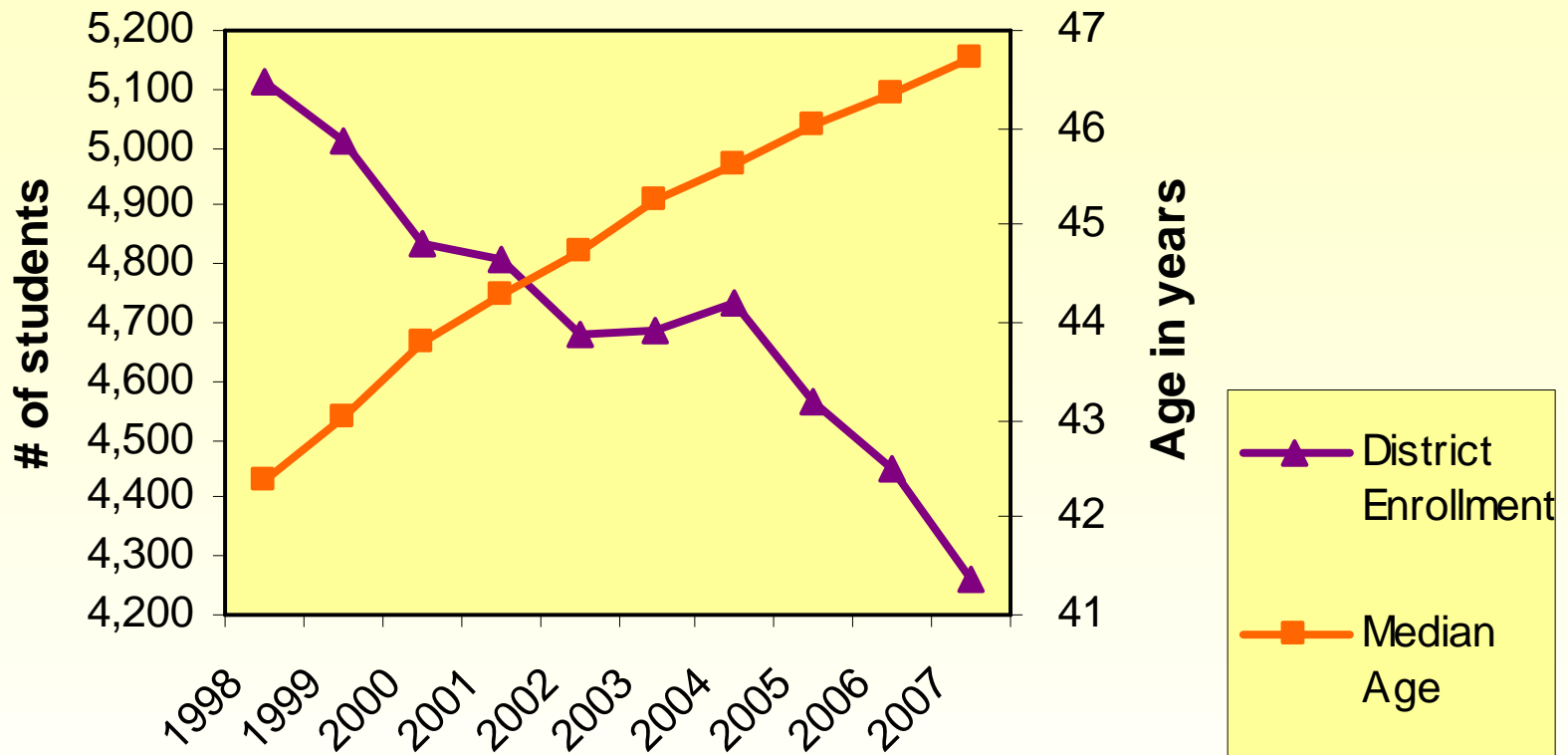
- Growth rate – **11.8%**
(incorporated-15.4%)
- Population age 65 and older – **11.6%**
- K-12 enrollment **growing** – just under 1% until 2030

Clallam County

- Growth rate – **7.8%**
(PA-4.2%, Sequim-29.4%)
- Population age 65 and older – **23.2%**
- K-12 enrollment **declining** – 260 fewer students than in 2000

County Demographics

Population is aging. . .

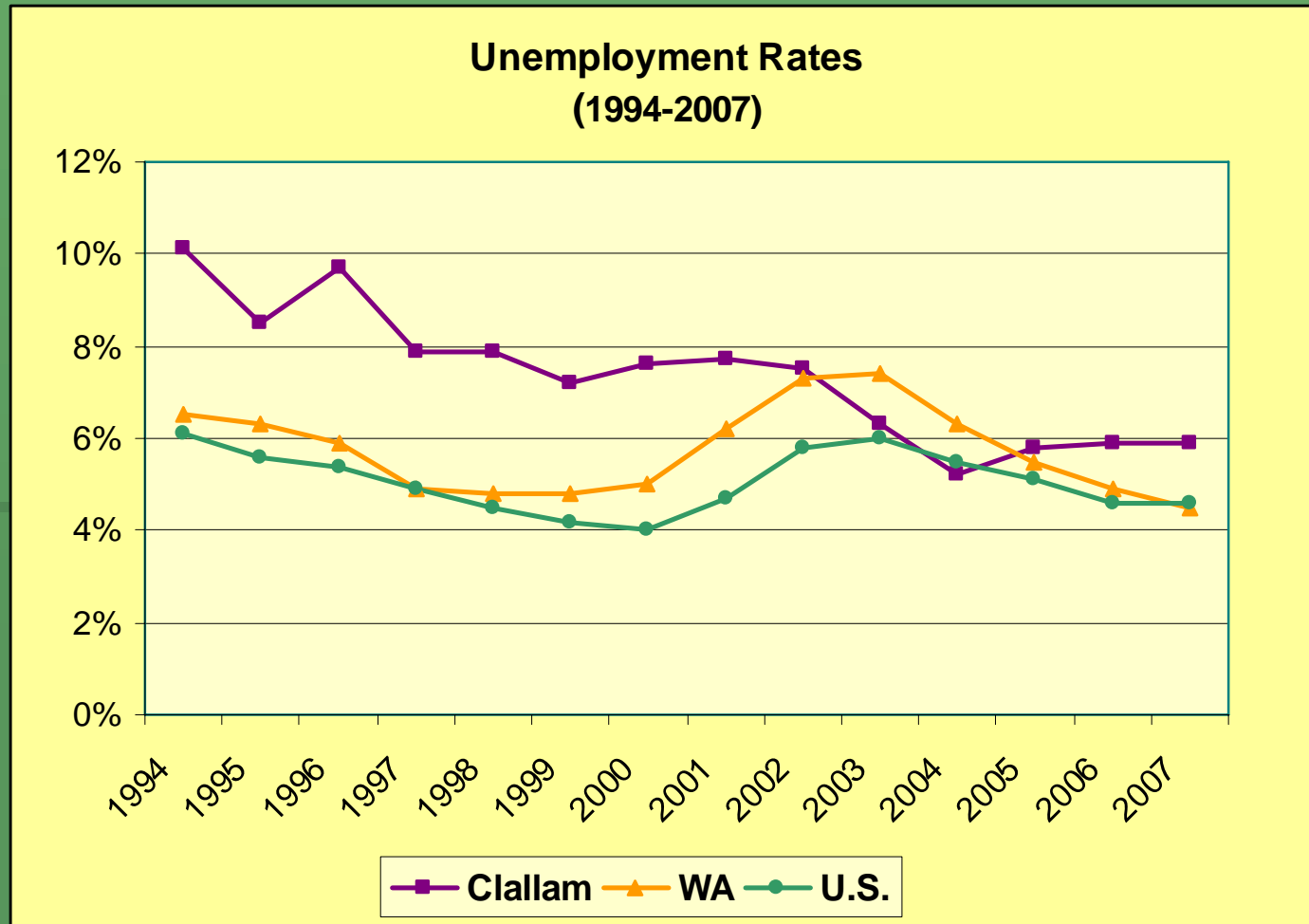


. . . School district enrollment is declining

Employment

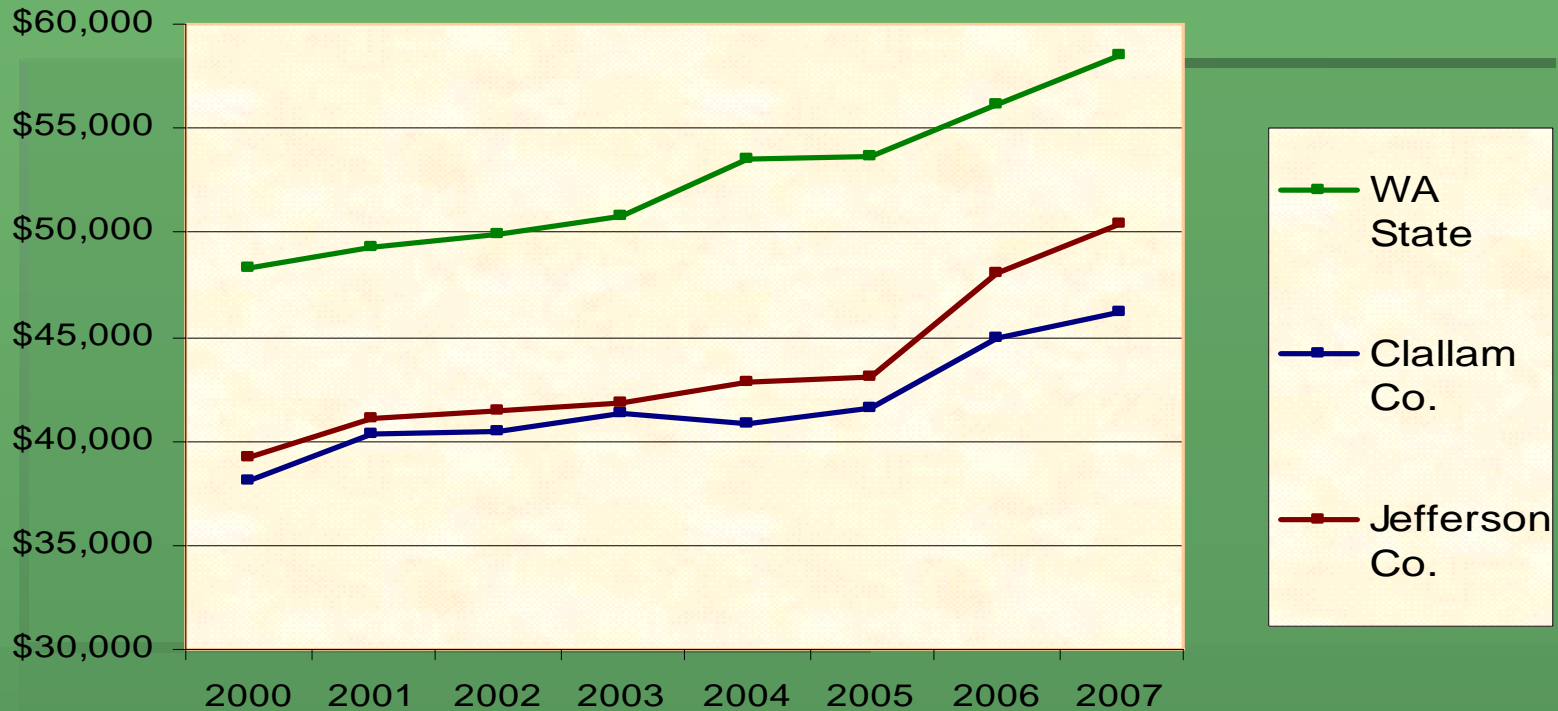
- 7 of the top 10 employers in Clallam County are public and governmental agencies

2008
unemployment
rate is
7.6%
...up from
5.9% in 2007.



Median Household Income

(2000-2007)



In 2007, median household income was:

- *\$46,213 in Clallam County*
- *\$58,462 in WA State!*

Per Capita Income

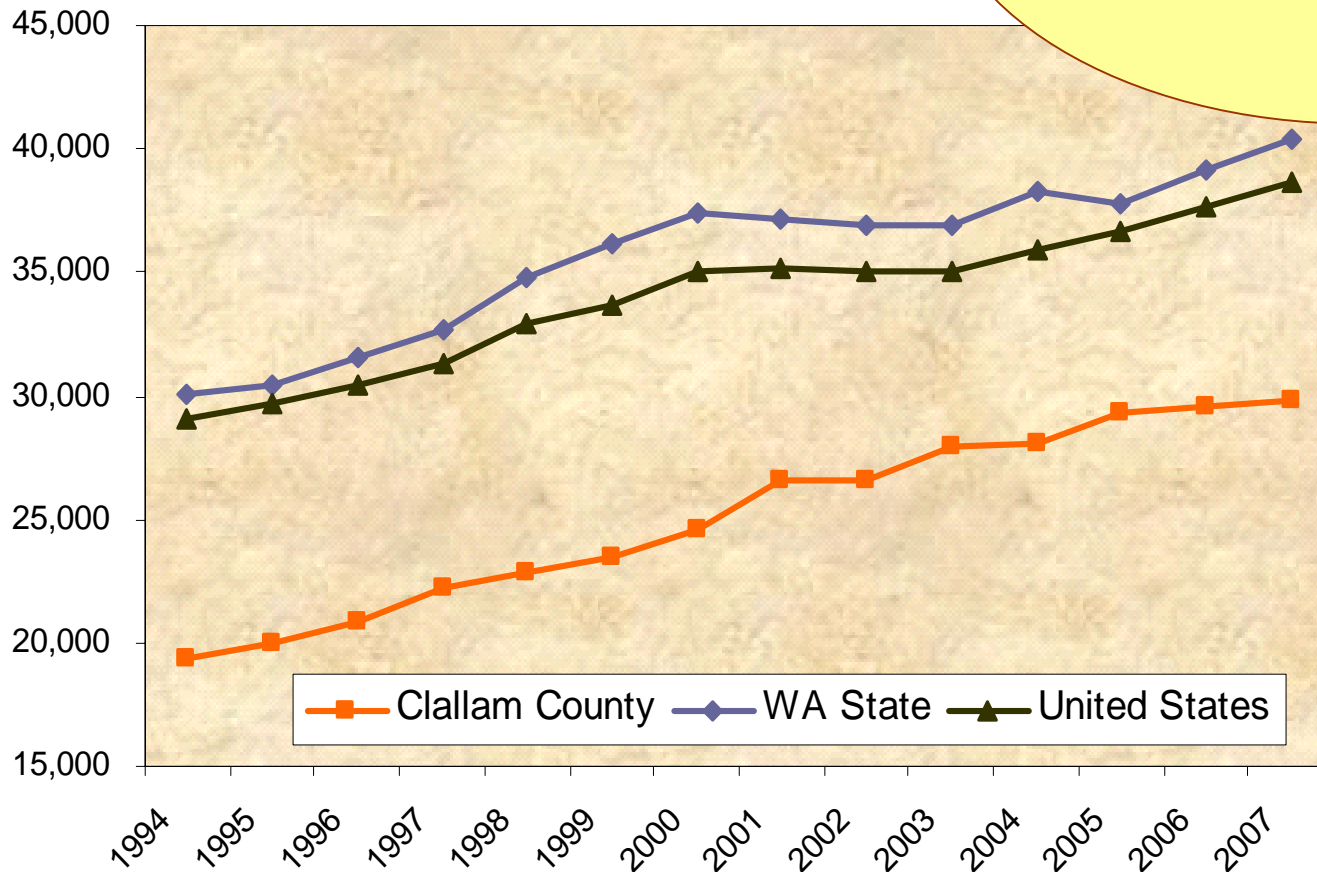
(1994-2007)

2007 Per Capita Income

Clallam County = \$29,885

vs.

WA State = \$40,414



Housing

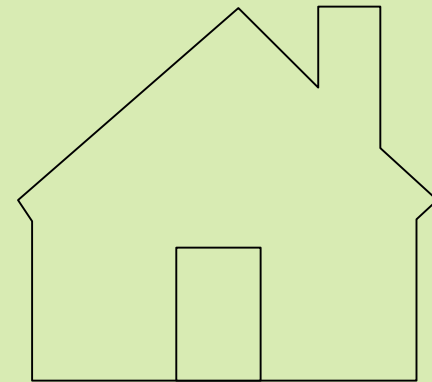
- Home sales down 20% from 2007
- High inventory, extended selling time
- Prices remain high... **avg. home price = \$289,000**

During the week of July 14, 2008

There were only **7** offers
to purchase homes

vs.

40-50 during the same period
3 years ago



AFFORDABILITY

25% of average income
can only afford a
\$115,000 home!

Growth Trends

- City growth through 2025 predicted at less than 1% per year
- UGA growth 1.0 to 1.5% per year
- Growth restrictions
 - Availability of land
 - No annexation agreement to the east
 - Building standards (height)
- Potential growth to the west

The future is in your hands

Now it's time to make
tough choices. . .



What can you, as a Council, do?

- Communicate with citizens
 - Explain **WHY** we're unable to sustain service levels and respond to new service needs
- Meet with legislators to discuss problems
- Determine whether tax increases are possible
- Re-examine operating and capital needs, as well as resources available to meet needs
 - Can we continue existing service levels beyond 2009?

Questions?