

City Manager's FY 2014/15 Budget Preview



City Council Presentation
December 17th, 2013
(minor rev 12/18)

Summary

(excerpt from City Manager June 2013 budget presentation to City Council)

- “Most expenses will continue to grow at double or more the rate of revenue growth
- Can no longer defer unfunded liabilities without severe consequences in the future
- Current five year projection doesn’t assume full funding of future infrastructure costs
- At current rate, will likely deplete fund balance by end of FY 14-15
- Every function in the city undergoing same internal review that Fire Department underwent this past fiscal year
- Goal is to have baseline cost and corresponding levels of service for all city functions in time for next year’s budget sessions
- In the interim, staff will also be reporting back to the City Council on possible revenue measures to help address the future deficit”

FY2013/14 General Fund Five-year Forecast (June 2013)

(\$ millions)

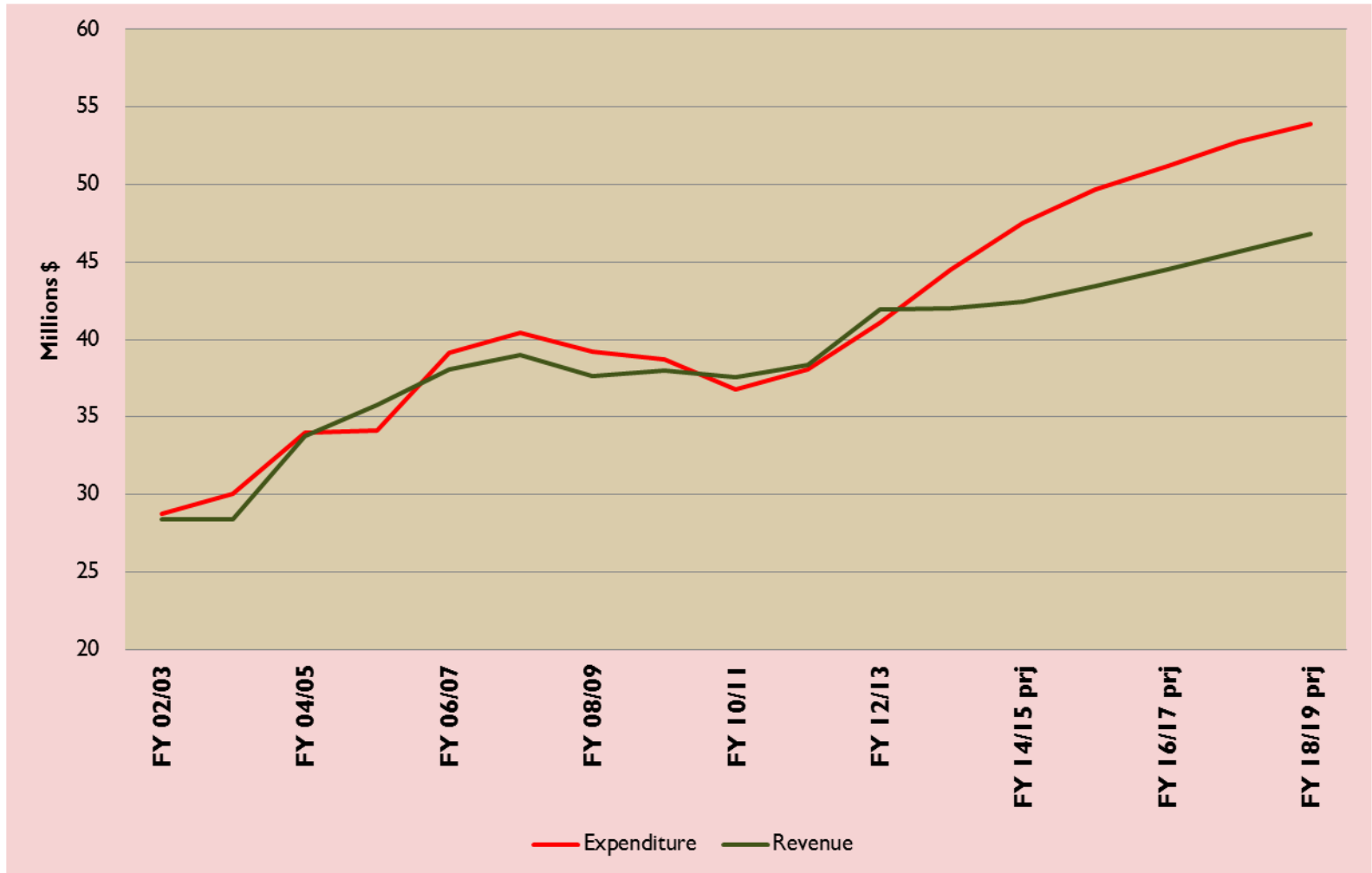
	Estimate FY2012/13	Preliminary FY2013/14	FY2014/15	FY2015/16	FY2016/17	FY2017/18
Begin Fund Balance	4.68	3.71	3.09	(0.68)	(5.34)	(10.12)
Audit Adjustments/ Prior Year Carryovers	0.65					
Revenues	41.55	41.08	41.99	42.99	44.08	45.19
Expenditures	(43.17)	(41.70)	(45.76)	(47.65)	(48.86)	(50.14)
Cash flow (difference)	(1.62)	(0.62)	(3.77)	(4.66)	(4.78)	(4.95)
Ending Fund Balance	3.71	3.09	(0.68)	(5.34)	(10.12)	(15.07)

FY2013/14 General Fund Five-year Forecast (updated 12/13)

(\$ millions)

	Forecast				
	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2017/18
Begin Fund Balance	3.68	(1.39)	(7.64)	(14.28)	(21.35)
Audit Adjustments/ Prior Year Carryovers					
Revenues	42.43	43.43	44.53	45.65	46.82
Expenditures	(47.50)	(49.68)	(51.17)	(52.72)	(53.90)
Ending Fund Balance	(1.39)	(7.64)	(14.28)	(21.35)	(28.43)

History of GF Revenue and Expenditures Actuals and Projected FY 2002-2019



FY 2014/15 Budget Preview

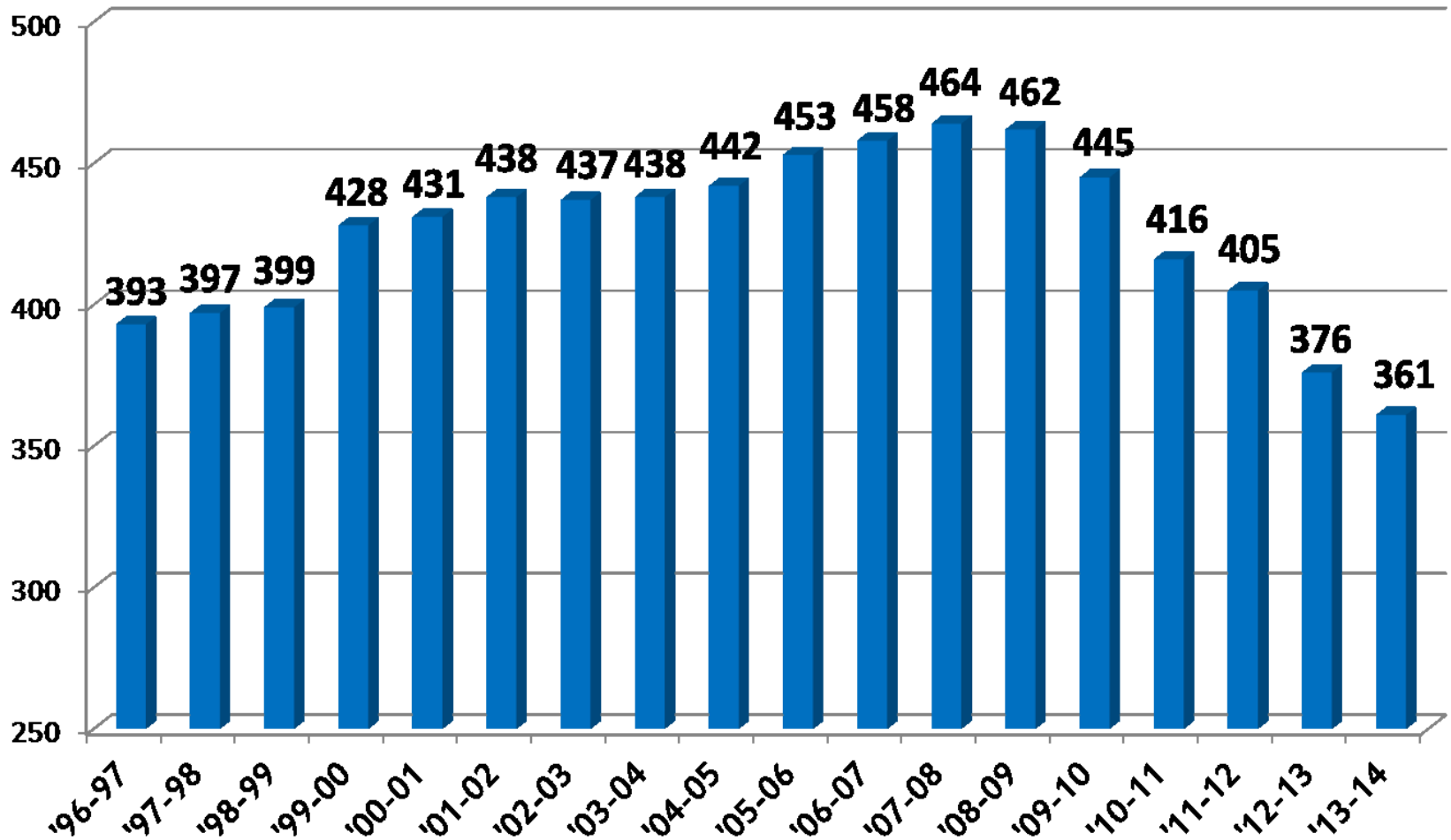
Summary of Budget Reductions

FY 08/09 to FY 13/14

Budget Year	# of Positions (FTE)	All Funds Reduction	General Fund Reduction
FY 08/09	(2.25)	(807,954.41)	(358,825.95)
FY 09/10	(16.75)	(2,451,549.21)	(1,503,527.36)
FY 10/11	(29.00)	(2,563,629.91)	(1,829,301.30)
FY 11/12	(11.40)	443,596.79	499,569.87
FY 12/13	(28.60)	(2,970,258.15)	(1,207,444.15)
FY 13/14	(15.25)	(1,403,734.33)	(1,403,375.85)
Total All Years	(103.25)	(9,753,529.22)	(5,802,904.74)

Staffing Trends

Permanent Employees (FTE) – Regular Authorized Positions



Cost Control and Revenue Growth

- ❖ City has engaged in a series of measures seeking to control costs or increase revenues:
 - Labor negotiations and employee sharing of cost increases
 - Avoided costs
 - All Funds - \$7,782,784
 - General Fund \$5,271,177
 - Operational and structural changes to improve efficiency
 - Analyzing water conservation measures
 - Budget Reductions
- ❖ Focus on Economic Development:
 - Working to attract new companies to Davis
 - Identify ways for existing high growth companies to expand
 - Work with local groups to foster entrepreneurship



FY 14/15 Budget Preview

General Fund Five-Year Forecast

FY 2014/15 Budget Projections

- ❖ **FY2014/15 GENERAL FUND Revenue Projection = \$42,430,691**
 - *An increase of \$0.92 million from FY 2013/14 Adopted Budget*
 - *Includes \$500,000 in Franchise Fees from Davis Waste Removal*

- ❖ **FY2014/15 GENERAL FUND Expenditure Proj. = \$47,496,909**
 - *An increase of \$5.85 million from FY 2013/14 Adopted Budget*
 - *Includes additional \$2.5 million for Street Maintenance costs*

- ❖ **FY2014/15 Structural Imbalance = <\$5,066,218>**

- ❖ **Year End Unreserved Fund Balance Projected to be <1,386,572>**
 - ❖ *Based on FY13/14 estimate ending fund balance and 14/15 projected structural imbalance*

FY2014/15 Major Cost Increases Over FY2013/14 Adopted Budget

How did we get to a \$5.1 M structural imbalance by next year?

Revenue projected to grow by \$920,000

Expenditures

❖ Other Resources (\$3,546,500)

- *Debt Service for Infrastructure \$2,000,000*
- *Added Street Maintenance Contract \$505,000*
- *Removal of Other Resource Savings value \$770,000*
- *Utility Increases Including Water and Sewer \$94,000*
- *Fleet Replacement Funding \$110,000*
- *Insurance Claims cost and Other \$67,500*

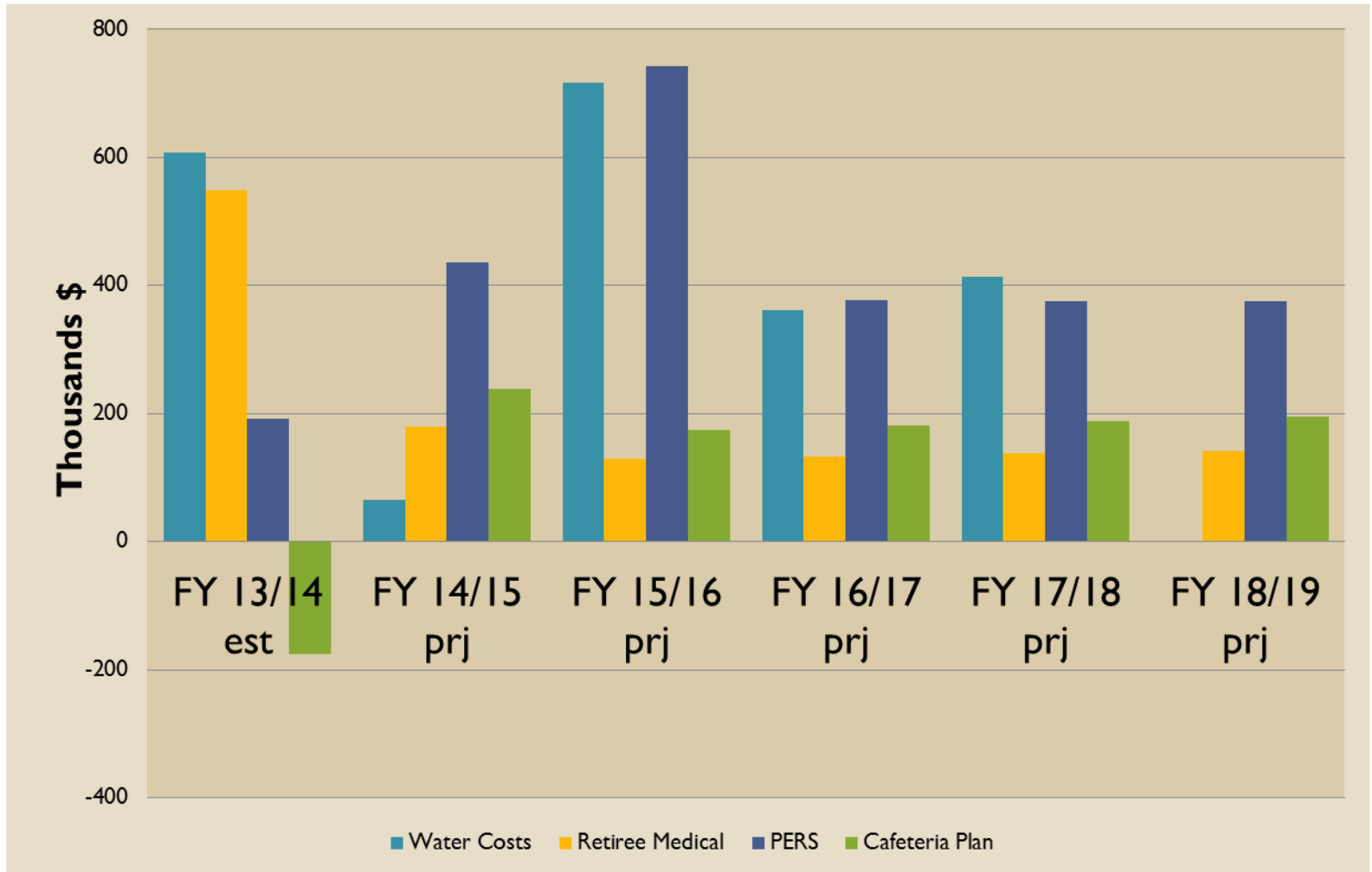
FY2014/15 Major Cost Increases Over FY2013/14 Adopted Budget

Expenditures (cont.)

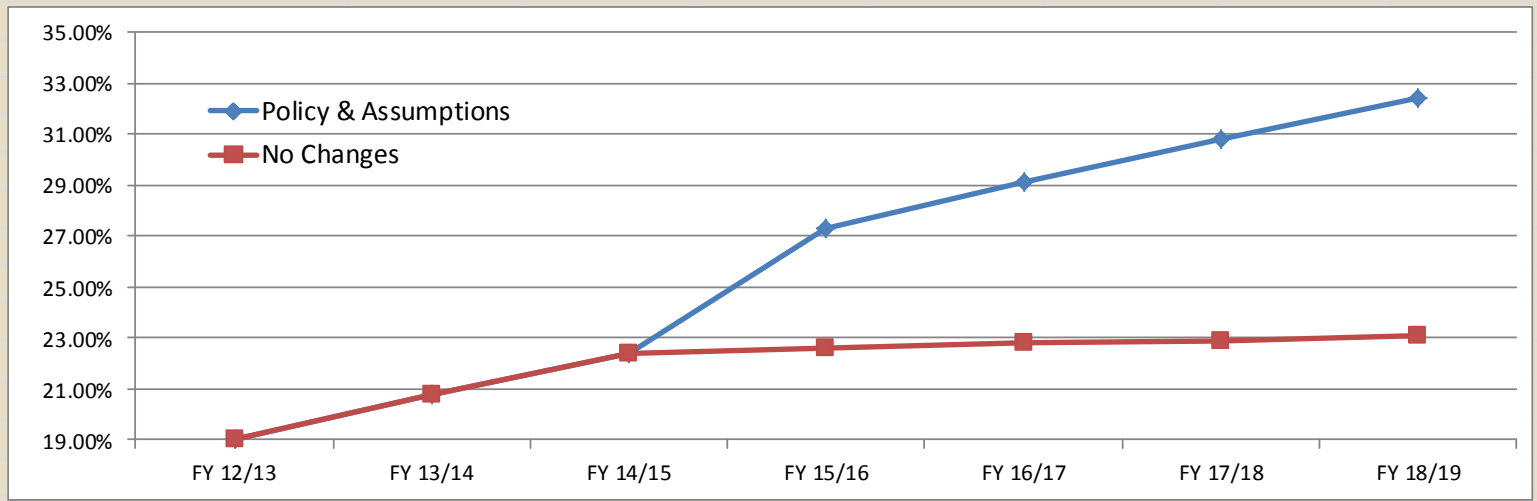
- ❖ **Wage Increases (\$1,062,000)**
 - *2% COLA Based on current MOU's \$360,000*
 - *Removal of currently unfilled positions \$250,000*
 - *Removal of Salary Savings Adjustment \$447,000*

- ❖ **Benefits and Other (\$1,243,000)**
 - *Retiree Medical Benefit \$180,000*
 - *PERS Retirement \$437,000*
 - *Leave Benefit funding \$305,000*
 - *Medical Insurance, Cafeteria Other \$321,000*

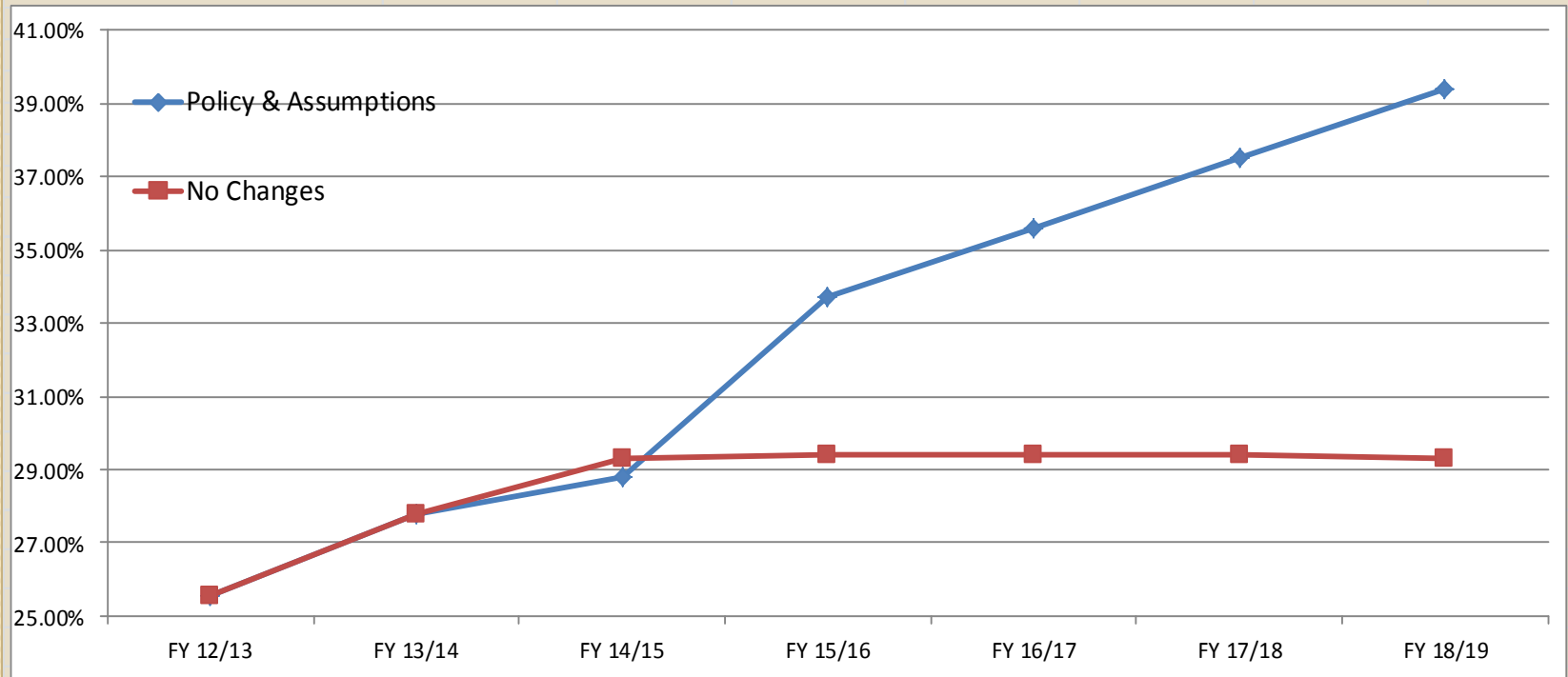
Change in Major Cost Drivers from Prior Year



FY2013/14 General Fund Five-year Forecast PERS Rates (Miscellaneous)

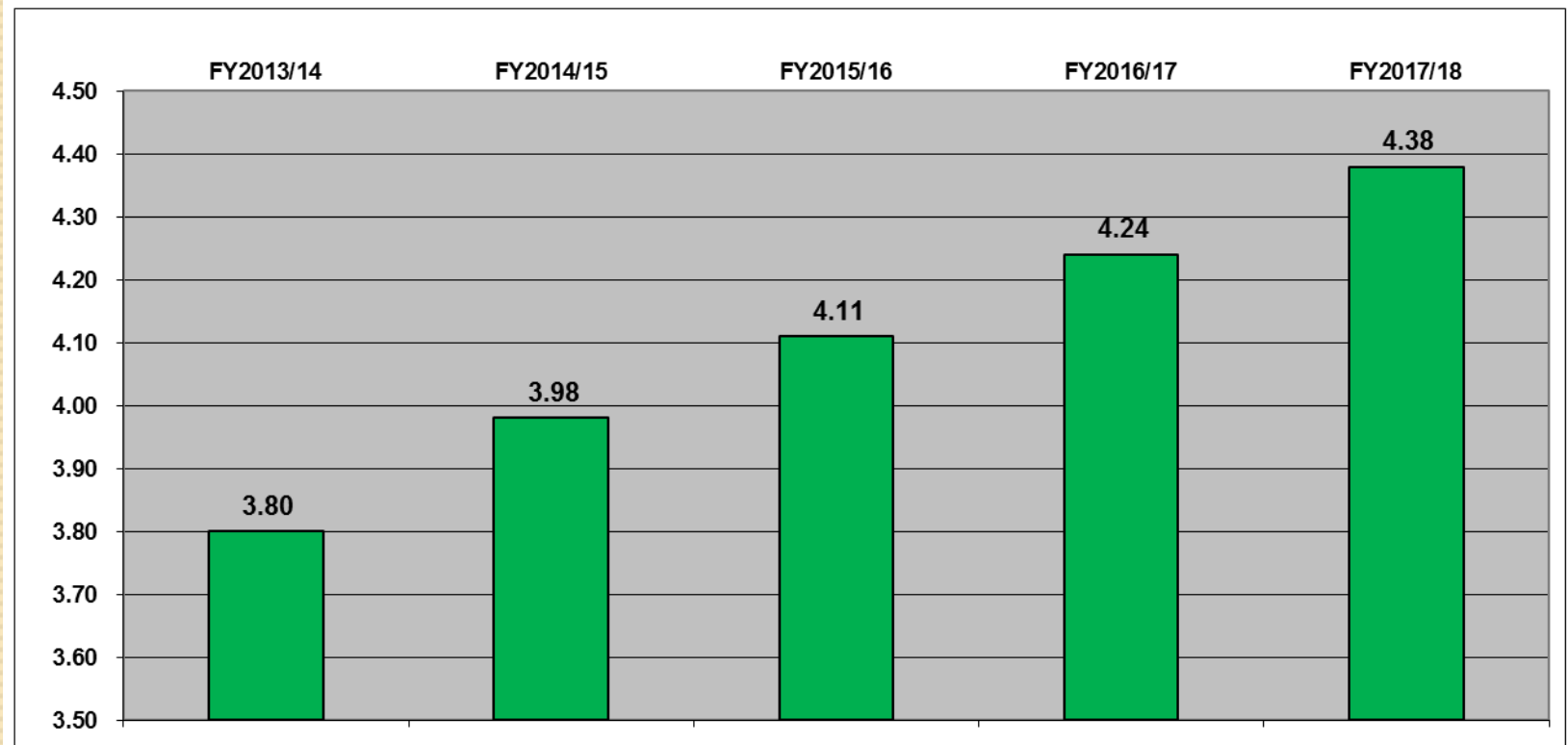


FY2013/14 General Fund Five-year Forecast PERS Rates (Safety)



FY 2013/14 General Fund Retiree Medical Cost Projections

(\$ millions)



FY 2014/15 Proposed GF Reductions

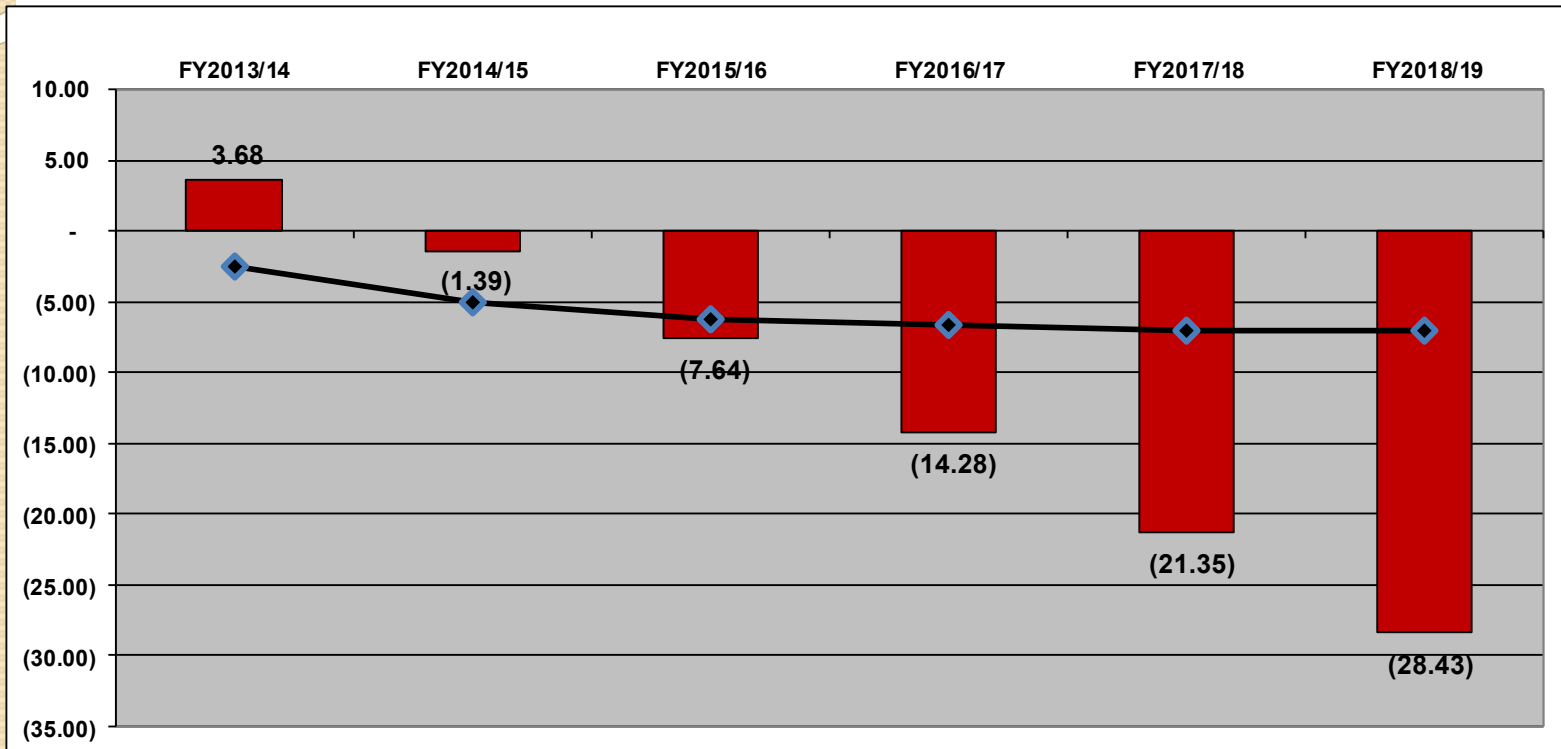
	Total FTE's	Total Amount
TOTAL ALL Depts.	52.01	\$5,123,345

Potential Revenue Options

- ❖ *Ad-Valorem Tax (\$0.55 per \$1,000 AV)*
 - \$200k house = \$110 per year*
 - \$500k house = \$275 per year*
 - \$3.64 Million**
- ❖ *Parcel Tax (\$135 per year)*
 - \$3.68 Million**
- ❖ *Additional 1/2 Cent Sales Tax*
 - New Sales Tax would be 8.5%*
 - \$3.61 Million**

FY 2013/14 General Fund Balance Forecast

(\$ millions)



Fund Balance



Annual Structural Imbalance





Next Steps