## Hem#9A

#### City of Carson City Agenda Report

**Date Submitted: 1/29/2008** Agenda Date Requested: 2/7/2008 Time Requested: 15 minutes To: Mayor and Supervisors From: Nick Providenti, Finance Director Subject Title: Discussion of 2007-08 budget implementation plan to stabilize Carson City's General Fund, Sewer Fund, Water Fund, Building Permits Fund and Streets Maintenance Fund Staff Summary: Staff will present recommendations to stabilize the above funds for fiscal year 2007-08. Actions pertaining to each fund will be requested separately. Type of Action Requested: (check one) (\_\_\_\_) Resolution \_\_) Ordinance ) Other (Specify) (\_xx\_) Formal Action/Motion Does this action require a Business Impact Statement: ( ) Yes (xx) No Recommended Board Action: Presentation only Explanation for Recommended Board Action: n/a Applicable Statute, Code, Policy, Rule or Regulation: n/a Fiscal Impact: n/a Explanation of Impact: n/a Funding Source: n/a Alternatives: n/a

Supporting Material: Attached memorandum from Mary Walker

Prepared By: Nick Providenti

Reviewed By: (Department Head)	Date:	
: (City Manager)	Date: 1/20	9/08
: Melarie Pr	ketta Date: 1-29-0	<u>8</u>
(District Attorney) : (Finance Director)	Date:	
Board Action Taken:		
Motion:		
	2)	
(Vote Recorded By)	<u> </u>	
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#### Carson City

# Overview of Implementation Plan to Provide Financial Stability to the City's General Fund, Sewer Fund, Water Fund, Building Permit Fund and Street Maintenance Fund For Fiscal Year 2007-2008

At the January 17<sup>th</sup> Board of Supervisors meeting, the Board heard details of the revenue shortfalls in the City's General Fund, Sewer Fund, Water Fund, Building Permit Fund and Street Maintenance Fund for Fiscal Year 2007-2008. The Board directed staff to return to the Board on February 7<sup>th</sup> with a plan to implement corrective action to stabilize the City's finances.

Listed below is an overview of the recommended implementation plan to stabilize the City's finances for these funds. After this agenda item, staff has prepared specific stand alone Board agenda items for Board action to implement the stabilization plan on a fund by fund basis.

- 1) General Fund. The City's General Fund is experiencing a projected \$3 million loss of revenue in FY 07-08. In order to compensate for this loss, it is recommended the City implement the following financial stabilization measures:
- 1) With the City moving the Landfill operations into the General Fund, it is recommended the City use the \$1,172,252 on-going net income in the Landfill to cover a portion of the revenue loss.
- 2) Eliminate the \$722,735 Capital Acquisition Fund transfer from the General Fund for FY 07-08.
- 3) Economic Development. Any future economic development programs be funded only through the Carson City Redevelopment Authority incentive programs. This does not include the already agreed to Burlington Coat Factory incentives or the car dealer incentives.
- 4) Increase Business License Fees now and in November of 08 in order to help the City keep up with inflationary costs. The Business License Fee is allowed to increase by 3.4% which won't generate much revenue or impact the businesses this fiscal year, but would add to the business license fee revenue for FY 08-09. Next year, this will generate approximately \$26,000 to the City's General Fund and will cost the average business \$3.84 per year.
- 5) Retain the FY 07-08 City staff General Fund cuts in the amount of \$848,224. City staff will provide detail of these General Fund cuts.
  - 6) Increase the Landfill Fees to keep more in line with comparable market rates.

### Summary of General Fund Financial Stabilization Measures in the Amount of \$3,000,000.

Gene	ral Fund Revenue Shortfall	(\$3,000,000)
Add:	Landfill Net Income	1,172,252
	Cut Capital Acquisition Transfer	722,735
	Increase Business License Fees	
	Now and in November, 2008	0
	(Little effect in 07-08 but will	
	increase revenues for FY 08-09)	
	Retain City Staff Budget Cuts	848,224
	Increase Landfill Fees	85,000
	Net Decrease in Fund Balance	(171,789)

#### 2) Sewer Fund \$1.6 Million Revenue Shortfall.

- To compensate for the \$1.6 million projected FY 07-08 revenue shortfall in the Sewer Fund, it is recommended the City implement the following financial stabilization measures:
  - 1) Raise the amount of the proposed rate increase from 10% as of March 1, 2008 and 5% as of July 1, 2008 to 12% as of March 1, 2008 and 12% as of July 1, 2008 in order to insure the Sewer Fund is financially stable and able to meet its bond covenants.
  - 2) Postpone the budgeted \$7.8 million bond issuance for at least one year.
  - 3) Postpone as much of the Sewer Fund capital improvement programs as possible at least for one year until the economy begins to recover.
  - 4) Base the timing of future rate increases on the financial requirements of the fund. Another Sewer rate increase may be necessary as of July 1, 2009 if the economy does not begin to recover by then.

#### 3) Water Fund \$500,000 Revenue Shortfall.

To compensate for the \$500,000 revenue shortfall in the Water Fund, it is recommended the City implement the following financial stabilization measures:

- 1) Raise the Water rates by 6% as of July 1, 2008.
- 2) Postpone any new Water Fund bond issuance for at least one year.
- 3) Postpone as much of the Water Fund non-bonded capital improvement projects as possible at least for one year until the economy begins to recover.
- 4) Base the timing of future rate increases on the financial requirements of the fund in order to insure the City's ability to meet its bond covenants.

#### 4) Building Permit Fund \$575,000 Revenue Shortfall.

Building permit revenue is projected to decrease by 20% in FY 07-08. This decrease will cause a negative net assets balance in the amount of approximately (\$405,000) in the Building Permit Fund. This will cause a cash and fund deficit in the Fund this fiscal year if not immediately mitigated. It is recommended the City implement the following financial stabilization measures in the total amount of \$444,917 which will create an estimated positive net assets of \$39,509 as of June 30, 2008:

- 1) Cut the General Fund Internal Service Charges by 20% to compensate for less work performed based on the percentage decrease in the projected building permit revenue. In addition, cut the General Fund Internal Service Charge by an additional \$10,000 in recognition of services the Building Permit Fund provides to the Planning Department. This will save the Building Permit Fund \$90,000 but will cause a corresponding shortfall in the General Fund which is anticipated with the projection noted above.
- 2) Transfer \$211,000 from the Capital Facilities Fund back to the Building Permit Fund. The Capital Facilities monies were slated for Building Permit Fund capital projects.
- 3) Implement Building Permit Fund Budget Cuts for FY 07-08 in the amount of \$143,917 as recommended by staff. This includes \$31,917 in salary savings, \$102,000 cut in services and supplies and \$10,000 cut in the depreciation.
- 4) Once the fund is stabilized where revenues generally equal expenditures, the Board may wish to consider moving the Building Permit Fund back into the General Fund. However, wherever the building permit fund is placed, it should be self supporting.
- 5) Give direction to staff to return with budget cuts/revenue enhancements in the Building Permit Fund for FY 08-09 in order to assure a self-supporting enterprise status and the fund's financial stability for FY 08-09.

## Summary of Building Permit Fund Financial Stabilization Measures For FY 07-08

1) Cut the General Fund Internal Service Charges	90,000
2) Transfer \$211,000 from Capital Facilities Fund	211,000
2) Building Permit Fund FY 07-08 Budget Cuts	<u>143,917</u>
Total Financial Stabilization Measures	\$444,917

#### 5) Street Maintenance Fund \$650,000 Revenue Shortfall.

The loss of Street Maintenance Fund revenues in the amount of \$650,000 for FY 07-08 will cause a cash and fund deficit in the Street Maintenance Fund at the current budgeted expenditures. To compensate for this revenue shortfall, it is recommended the City implement the following financial stabilization measures:

1) Cut the Street Maintenance Fund carryover from prior year by \$650,000 in FY 07-08 in order to compensate for this revenue shortfall.

- 2) Implement the 1/8<sup>th</sup> cent Infrastructure Sales Tax for Street Maintenance with the provision that the Board of Supervisors review this on an annual basis and change the use of this funding stream annually to other legally allowable projects as needed.
- 3) Direct staff to return to the Board during the FY 08-09 budget process to look at long-term financial strategies which best serve the public's transportation needs by working with RTC and gathering public input on a long-term transportation financial strategy.

#### **SUMMARY**

#### General Fund:

The financial stabilization measures listed above will correct the impacts of the City's current economic decline for FY 07-08 for the General Fund. There is a second financial plan for the FY 2008-2009 in a separate agenda item for the February 7, 2008 Board meeting.

#### Other funds:

The financial stabilization measures listed above will provide for the financial stabilization of the Sewer Fund, Water Fund and Street Maintenance Fund for FY 07-08 and FY 08-09. There is no other financial stabilization measures needed for these funds at this time. The Building Permit Fund will have to return with a financial stabilization plan for the Fund for FY 08-09.

The action items to implement this Financial Stabilization Plan are in the ensuing Board agenda items on a fund by fund basis.