## Carson City Agenda Report

Date Submitted: November 10, 2008

Agenda Date Requested: November 20, 2008

Time Requested: 30 Minutes

To:

Mayor and Supervisors

From: City Manager

**Subject Title:** Discussion and action on the recommendations presented in the November 9, 2008 memorandum from the City Manager on the status of the General Fund and to direct staff to:

- 1) Present an ordinance to the Board for increasing the Right-of-Way Toll from 1% to 3%;
- 2) Close the Landfill on Sundays beginning December 7, 2008;
- 3) Reduce funding for the Internal Auditor to \$60,000;
- 4) Charge all of the function of the Office of Business Development to the Redevelopment Authority; and
  - 5) Eliminate the "set-aside" for auto dealers from the General Fund.

Staff Summary: See attached memorandum from the City Manager dated November 9, 2008

Type of Action Requested: (check one)	
( ) Resolution	() Ordinance
(\overline{\over	() Other (Specify)

Does This Action Require A Business Impact Statement: (\_\_\_\_) Yes (\_X\_) No

**Recommended Board Action:** I move to accept the recommendations presented in the November 9, 2008 memorandum from the City Manager on the status of the General Fund and to direct staff to:

- 1) Present an ordinance to the Board for increasing the Right-of-Way Toll from 1% to 3%;
- 2) Close the Landfill on Sundays beginning December 7, 2008;
- 3) Reduce funding for the Internal Auditor to \$60,000;
- 4) Charge all of the function of the Office of Business Development to the Redevelopment Authority; and
  - 5) Eliminate the "set-aside" for auto dealers from the General Fund.

**Explanation for Recommended Board Action:** See attached memorandum from the City Manager dated November 9, 2008.

Applicable Statue, Code, Policy, Rule or Regulation: None

Fiscal Impact: See attached memo.

Funding Source: See attached memo.	
Alternatives: There are a variety of alternatives depend	ing upon the nature of the discussions
Supporting Material: Memorandum from City Manage	er dated November 9, 2008.
Prepared By: Lawrence A. Werner, P.E., P.L.S.  Reviewed By:  (City Manager)  (District Attorney)  (Finance Director)	Date:
Board Action Taken:	
Motion:	Aye/Nay
(Vote Recorded By)	

Explanation of Impact: See attached memo.

# **MEMORANDUM**

TO: Mayor and Board of Supervisors

FROM: Lawrence A. Werner, P.E., P.L.S.

City Manager

DATE: November 9, 2008

SUBJECT: General Fund Status and Proposed Budget Modifications

Currently, the FY2008/2009 General Fund revenues are estimated to be approximately \$3,500,000 below budget. Although the City has reserves to carry it through the next year or so, it may have major budget problems 4 or 5 years from now if the economy remains the same. Because of the long term economic impacts, we have prepared a forecast using the assumptions below.

#### Sales tax Revenues

- FY2008/2009 revenues are \$2,600,000 below budget.
- FY2009/2010 revenues would be the same as FY2008/2009 actual revenues
- FY 2010/2011 revenues would increased by 1% over the FY2009/2010 revenues
- FY2011/2012 revenues would increase by 2% over the FY 2010/2011 revenues
- FY 2012/2013 revenues would increase by 2% over the FY 2011/2012 revenues
- FY 2013/2014 revenues would increase by 3% over the FY 2012/2013 revenues

#### **Property Tax Revenues**

• Property tax revenues were increased in FY08/09 by \$244,965 to reflect actual billings and then the revenues would grow at 4.5% per year which is the average that we have seen over the last 10 years.

#### **Other General Fund Revenues**

- The landfill revenues were increased by \$450,000 to reflect the sale of scrap metal however the other revenues from the landfill are estimated to be \$750,000 below budget. This results in a net \$300,000 reduction in projected revenues.
- The estimated revenues from franchise fees are reduced by \$175,000 for FY08/09 to reflect actual receipts to date.

#### **General Fund Expenses**

• Estimated expenditures resulting from current labor contracts and unclassified employee salaries were increased by:

\$667,510 in FY2008/2009 \$598,732 in FY2009/2010 \$500,000 in FY2010/2011 \$400,000 in FY2011/2012

The labor expenses for the last two years of the model were left as originally estimated as most of the contracts are up for re-negotiation after FY 2011/2012.

#### FORCAST MODEL ASSUMPTIONS

Because of the shortfall in revenues, we looked at areas to either increase revenues or reduce expenses to the General Fund. The basis assumptions that we used were:

- The required ending fund balance of 8.3% would be maintained.
- Maintain a \$500,000 contingency.
- End the 6 year period with approximately \$3,000,000 in the stabilization fund.
- Minimize staff layoffs and program reductions.
- Utilize all available, non-restricted reserves to fund operations while keeping the above goals in mind.

## **Proposed Budget Adjustments**

The following actions are generally administrative and handled through the budget process or reflect previous actions:

- A) Transfer \$500,000 back to the General Fund from the Grant Fund.
- B) Eliminate the proposed transfer of \$868,918 from the General Fund to the Capital Acquisition Fund.
- C) The reorganization of the Finance Department resulted in a \$15,000 savings to the General Fund.
- D) The Purchasing reorganization resulted in a \$60,000 savings to the general fund.
- E) Use the \$1,575,000 carry-over from FY07/08 to fund operations in FY 08/09.
- F) The General Fund on-going expenses will need to be reduced by an additional \$500,000 in FY 2009/2010.

## Policy Modifications to the General Fund

The proposed changes listed below will require specific action by the Board of Supervisors to implement:

- 1) Increase the Right-of-Way Toll tax from 1% to 3%, effective January 1, 2009. This action would add \$160,000 to the General Fund in FY 08/09 and by \$320,000 in FY 2009/2010.
- 2) Close the landfill on Sundays effective December 1, 2008. Public Works analyzed the landfill operations and with the Sunday closure they would not have to re-fill vacant positions. The action would save \$75,000 in FY08/09.
- 3) Reduce the Internal Auditor position to part-time. The estimated savings are \$100,000.
- 4) Charge all of the Office of Business Development to the Redevelopment Authority which decreases the general fund expenses by \$138,286.
- 5) Delay funding RDA activities from the General Fund for the next 5 years or until the economic situation changes to allow the subsidy.

#### FORECAST MODEL RESULTS

Using the above information, and assuming the recommended actions are implemented by the Board, the General Fund status and utilization of reserves is:

FY 2008/2009 – no additional reserves needed FY2009/2010 - \$2,212,131 from reserves

TY2010/2011 - \$2,212,131 Holli reserves

FY2010/2011 - \$2,263,862 from reserves

FY2011/2012 - \$1,735,700 from reserves

FY2012/2013 - \$1,190,386 from reserves

FY2012/2014 - \$658,400 from reserves

Total from reserves - \$8,060,479

## Sources of Reserve Funding

There is approximately \$12,283,000 available from several sources that could be used for stabilizing the General Fund over the next 5 or 6 years:

Balance in Fleet Fund for Vehicles Amount to be provided to RDA Amount available in capital funds Excess in insurance funds Amount in Stabilization Fund Total Available	\$314,740 \$4,849,572 \$2,610,049 \$1,000,000 <u>\$3,508,634</u> \$12,282,995
General Fund Stabilization  Balance Remaining	\$8,060,479 \$4,222,516

### Recommendation

It is my recommendation that we implement the recommendations above and not reduce additional staff or programs at this time. Should the economy continue to slide and our sales tax revenues continue to decline beyond our anticipated levels, we still have time to reduce staffing and programs in a systematic manner.

I also recommend that we hold capital projects for one more year. If an emergency arises, we could use a portion of the stabilization fund.