

City of Sioux Falls

**2008 Preliminary Year-End Results
&
Contingency Planning for a
Slower Growth Economy**

City of Sioux Falls

◉ December Monthly Financial Report

- Some additional details added for year end
 - Added columns to show encumbrances and carry forwards within the capital program
 - Added two appendices for the General Fund
 - Summary by Departmental Program
 - Summary by Departmental Category

2008 Preliminary Results

- ◉ Preliminary Year-End Financial Results Pending Final Adjustments
- ◉ Focus on the Primary Operating and Capital Funds
 - General Fund - Operating
 - Sales Tax Fund - Capital

2008 Preliminary Results

General Fund Operating

2008 Preliminary Results

● Operating (General Fund) Summary

• Revenues to Budget

• Sales Tax	\$(2.1M)
• Bank Franchise Tax	\$ 1.4M
• Building Licenses & Permits	\$ (.3M)
• Liquor Licenses	\$.7M
• Community Health Fees	\$.5M
• Interest Revenue*	\$ 1.7M
• Other Revenue	<u>\$(.3M)</u>
• Revenue over Budget	\$1.6M

● *Includes \$1.1 M market adjustment that will reverse in subsequent years

2008 Preliminary Results

◉ Operating Summary

- One-Time Revenue Boosts in 2008
 - Bank Franchise Tax
 - Liquor License Sales (4)
 - Interest Revenue includes market adjustment
 - Market adjustments on Treasury Securities will reverse when interest rates begin to rise
- Expenditures
 - Fairly normal turn-back of budget balances
 - Positive impact of the Health Insurance Fund

2008 Preliminary Results

Operating (General Fund) Budget

- Beg Unreserved Fund Balance \$37.0M
 - **33.4% of 2008 Budget**
- Revenues to Budget Impact +\$1.6M
- Expenditures to Budget Impact +\$3.8M
- Change in Reserve Balances -\$.3M
- Est. End Unreserved Fund Balance \$42.1M
 - **35.6% of 2009 Budget**
- **Change in Unreserved Balance \$5.1M**

2008 Preliminary Results

◉ Operating Summary

- Unreserved Fund Balance
 - Added to Unreserved Fund Balance for three consecutive years
 - Excess over 25% Policy Target has Planned Uses within the Forecast Model
 - Fund future operating impacts of capital and staffing plans

2008 Preliminary Results

Sales Tax Fund Capital

2008 Preliminary Results

○ Capital (Sales Tax Fund) Budget

- Revenues to Budget (Net Impact)
 - Sales Tax \$(1.9M)
 - Assessments \$(.5M)
 - Reimbursements/Interest \$ 1.0M
- Net Impact to Capital Program \$(1.4M)
- Unreserved Fund Balance \$6.4M
 - Projects Brought Forward \$(6.4M)
- Ending Unobligated Balance \$ - 0 -

2008 Preliminary Results

◉ Capital Summary

- No Revenue Sources to Offset Sales Tax shortfall
- Higher # of Projects Completed or Contracted
- All Remaining Balances Carried Forward
- No Balance Available for Amendments

A Slower Growth Economy

A Slower Growth Economy

◉ **Impacts of a Slower Economy**

- **Immediate Impacts - Revenue**
 - **Sales Tax Growth**
 - **Prepared for little or no growth (0 – 2%)**
 - **Potential impacts to other revenue sources**
 - **Bank Franchise Taxes**
 - **Licenses and Permits**

A Slower Growth Economy

● **Impacts of a Slower Economy**

- **Immediate Impacts – Expenditures**

- **Positive Impacts of Lower Inflation**
 - **Fuel, Energy, and Materials Pricing**
 - **Better Construction Bids - Competition**
 - **Higher Demand for Certain Services**
 - **Health & Library Services**

A Slower Growth Economy

◉ **Impacts of a Slower Economy**

- **Delayed Impacts**

- **Property Tax - Slower Future Growth**

- **Revenues may not keep pace when the economy begins to re-inflate**

- **Less Demand for Infrastructure**

Financial Contingency Plan

How do we deal with the Economic Impacts of the Current Economy?



Financial Contingency Plan

• **Two very different Contingency Plans**

- **Operating Contingency**

- **Essential & necessary day-to-day service**

- **Capital Contingency**

- **Maintaining and enhancing infrastructure to keep the City moving forward**

General Operating Contingency

- **Prepare for Potential Below Budget Revenues in 2009**
 - **Planning for Potential Shortfall of \$5 - \$6 Million**
 - **Includes Sales Tax between 0 – 2% growth**
 - **Reductions in other revenues such as licenses and permits, bank franchise taxes, etc.**

General Operating Contingency

● **First Line of Defense: Reduce Expenditures**

- **Identified 4.5% in Expenditure Savings or \$5.3M**
 - **Normal Personnel Savings (2% of budget): \$2.4M**
 - **Fuel Savings (23% of budget): \$.5 M**
 - **Other Departmental Holdbacks (2.1% of total budget): \$2.4M**
- **Risks (Avoiding Unintended Consequences):**
 - **Unable to meet service demands**
 - **Higher costs if maintenance is deferred**
 - **Compound slower growth with a less inviting community**

General Operating Contingency

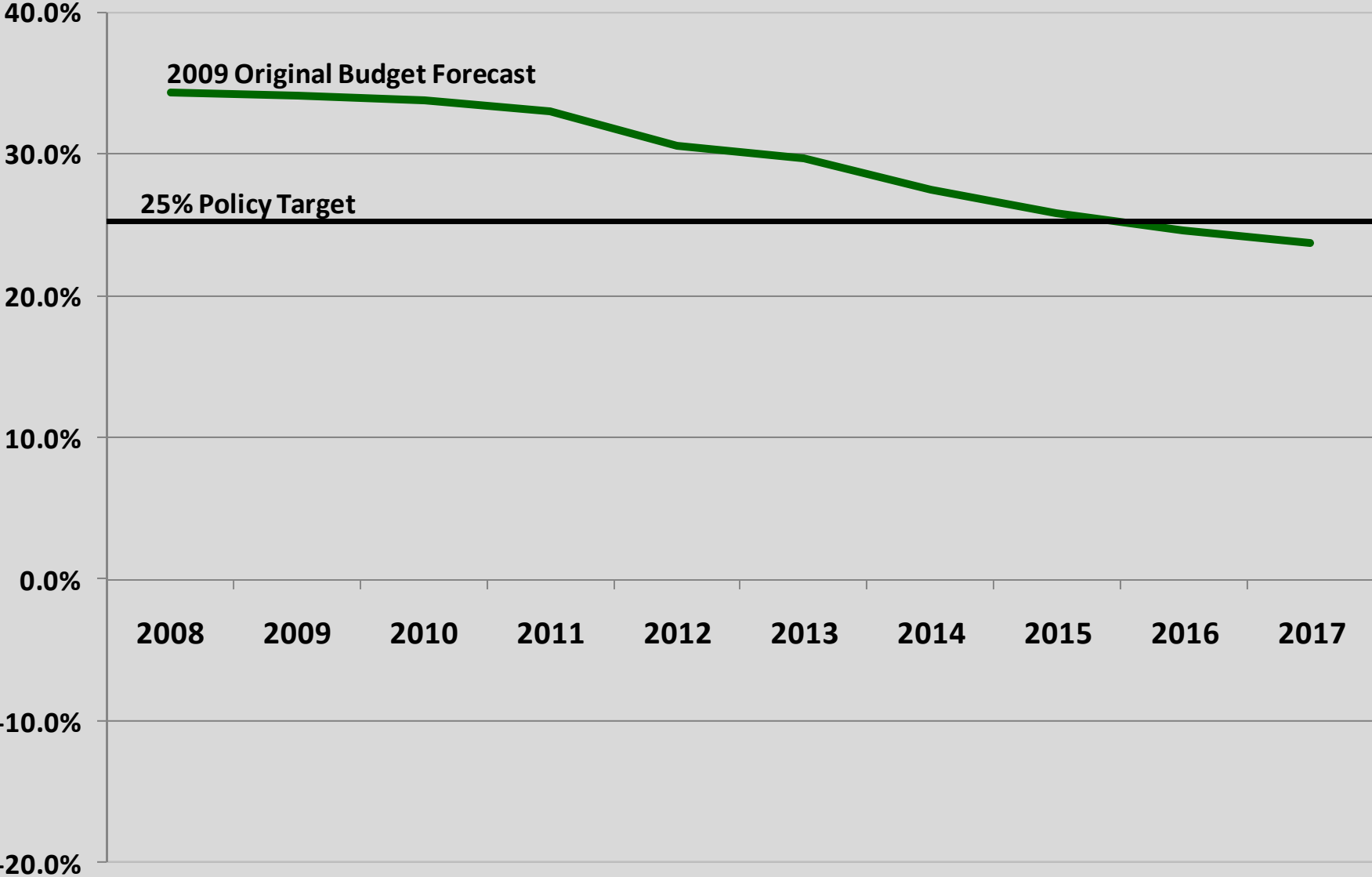
- **Second Line of Defense: Modify Budget Growth**
 - **Modify expenditure growth in future budgets**
 - **Review operating impacts of capital and staffing plans**
- **Third Line of Defense: Unreserved Fund Balance**
 - **Identified expenditure reductions in 2009**
 - **Extend the balance above policy target one additional year**
 - **Modify future growth to maintain an equilibrium between maintaining adequate service levels and adequate reserves**

General Operating Contingency

- The Following Graphics Are a Good Example of How the City Uses the Forecasting Model to Prepare, Plan and Prioritize.
- Review within Time Context
 - Only one guarantee...much will change

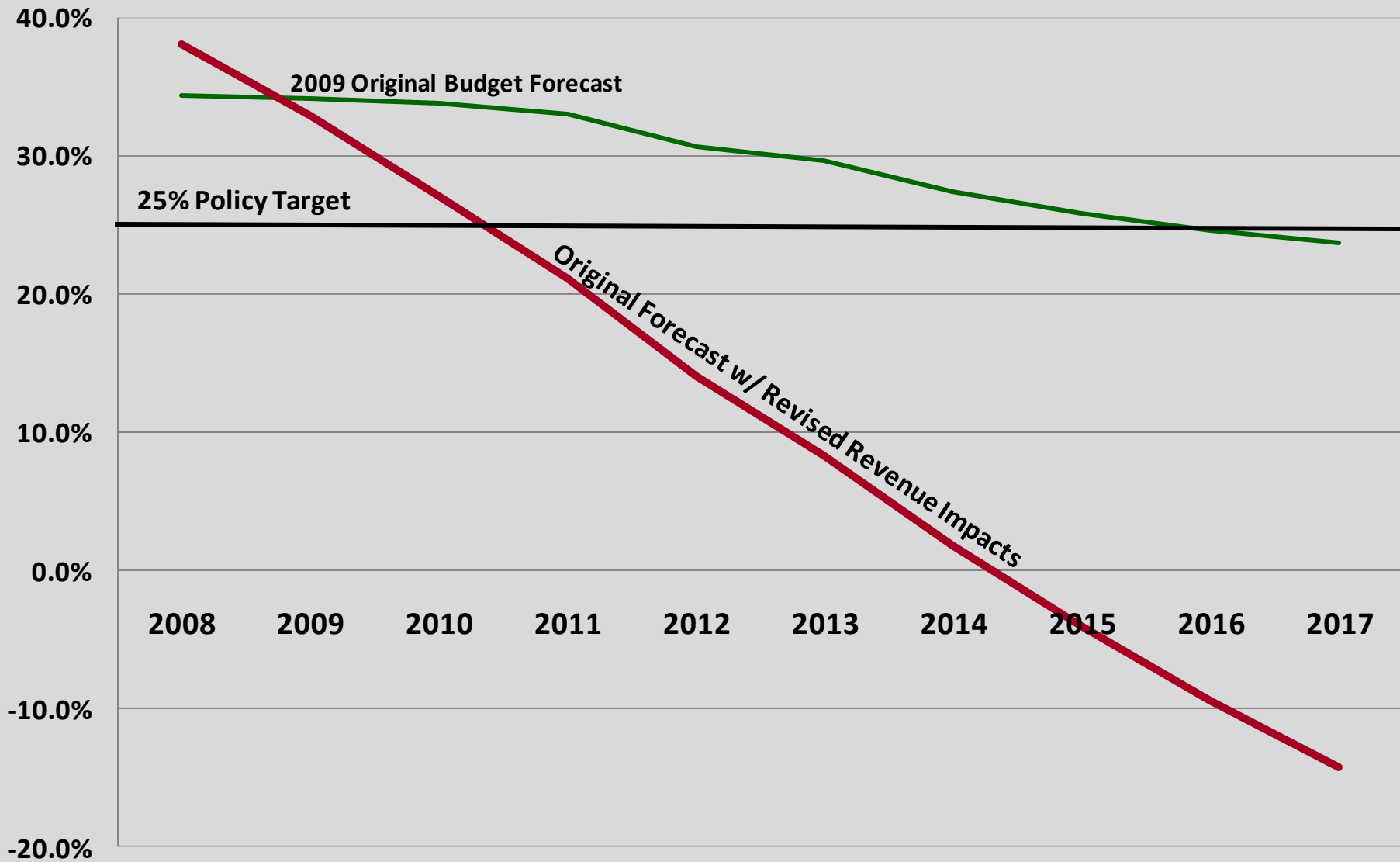
Unreserved Fund Balance

Percent of Expenditure Budget



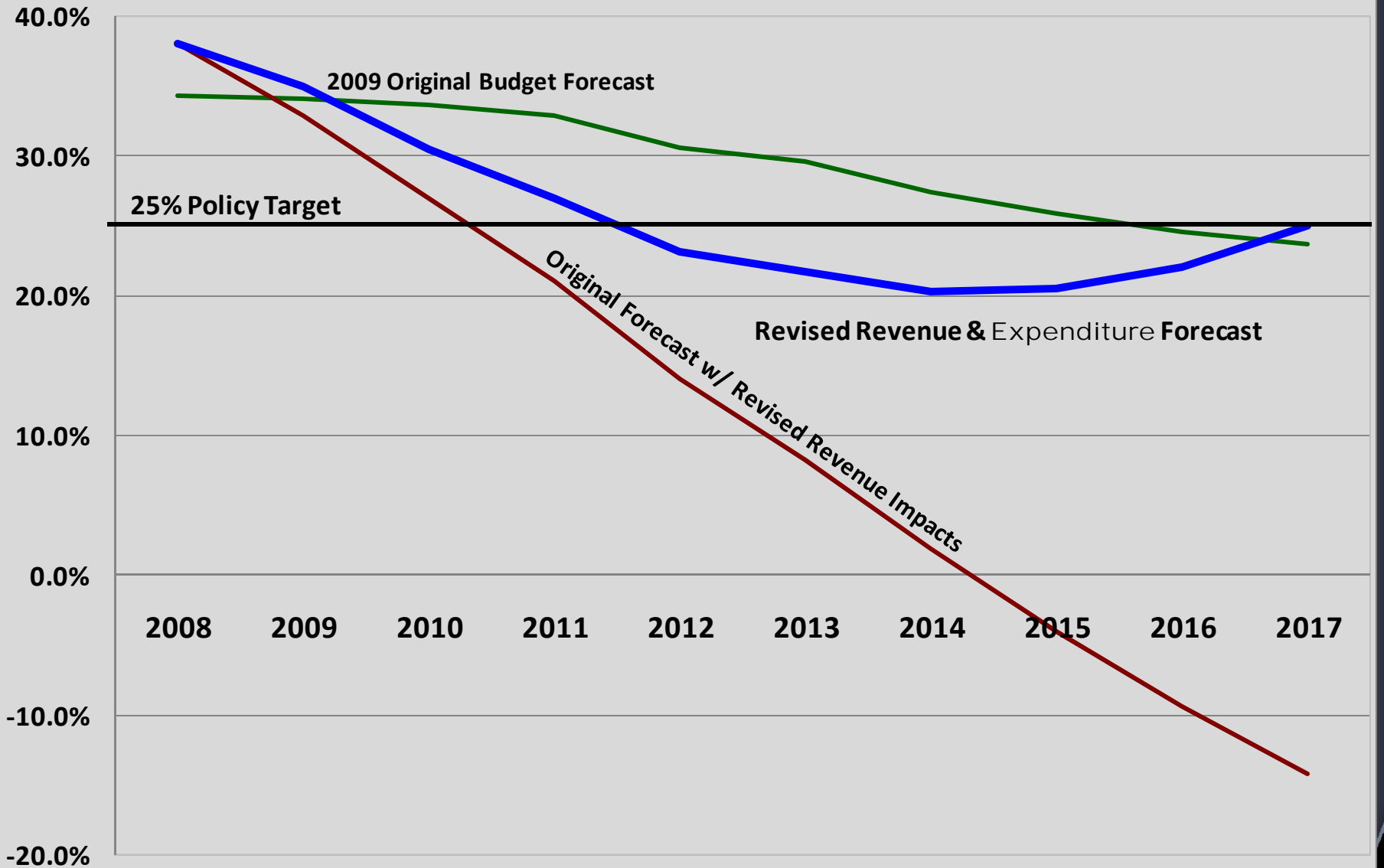
Unreserved Fund Balance

Percent of Expenditure Budget



Unreserved Fund Balance

Percent of Expenditure Budget



General Capital Contingency

- **Immediate Impact to Expenditures**
 - **The City does not have general capital reserves**
 - **Reductions in Revenue = Reductions in Spending**
 - **Priorities are key to the capital fund**
- **Suspending Projects**
 - **No Unobligated Balance**
 - **Identified 2009 and 2010 project suspensions**
 - **2009 Targeted Suspensions: \$4.6 Million**
 - **2010 Targeted Suspensions: \$6.4 Million**
- **2010-2014 Plan: Re-evaluate Priorities**

Financial Contingency Plan Summary

- ◉ **Strategic Planning**
- ◉ **Budget is more than a one year plan**
 - **Capital & Staffing Plans**
 - **Long-Term Forecasting Model**

Financial Contingency Plan Summary

◉ **Work within the Plans & Forecast**

- **Phase 1**

- **Identify opportunities for savings and reductions**
- **Prioritize – suspend lower priority expenditures**

- **Phase 2**

- **Maintain a balance between years (i.e. 2009 and 2010)**
- **Modify future budgetary growth**

- **Phase 3**

- **Make wise use of solid operating reserve position**
- **Monitor revenue flows and economic circumstances and be prepared to make adjustments**

Financial Contingency Plan Summary

Stay focused on delivering effective services efficiently

