

City Fiscal Condition & Impact on Future City Budgets



Response to File 100248
Finance & Personnel Committee
July 21, 2010

Presentation Goals

1. Respond to questions posed by File sponsors
2. Identify crucial factors affecting structural budget balance
3. Establish need for ongoing operational changes
4. Respond to questions

Structural Balance: Context

1. Structural balance: ongoing revenues can provide for continuation of baseline service levels
2. Multi-year implications with annual components
3. All 3 major local governmental units face structural challenges
 - Current economy's circumstances increase the challenge but do not "cause" it
4. City government: no liquidity risk or "deficit" budgeting (Public Policy Forum report)

Response to 2011 Budget Inquiries

1. No imbalance projected for 2011
 - Impact of 2010 Budget decisions & ERS funding policy changes
 - Post-2011 projections create implications for 2011 Budget (see slide 7)
2. 2011 Budget: No employer contribution for ERS required
 - Valuation results
 - Actuary's recommendation

Response to 2011 Budget Inquiries

(cont'd)

3. TSF 2011 Budget Balance: \$29 million

- Impact of eliminating GAAP “offset” for MPS levy correction
- Project modest 2011 withdrawal
- Positive rating agency response
- Regeneration for future years

4. Service level goals for 2011

5. Furlough reductions included in Budget request instructions

Response to 2011 Budget Inquiries

(cont'd)

6. Transfer of Surplus Water revenues

- Timing/impact of PSC rate case
- MWW financial condition is fundamental priority

7. Non-property tax revenue projections

- Initial revenue estimates
- Policy considerations

Ongoing Structural Balance Factors

1. Employer contributions for ERS
 - Projected no later than 2013 Budget
 - Not realistic to absorb through investment return
 - Pension Reserve funding for 2011
2. Employee & Retiree Health Care Benefits
 - Annual budget increases will consume most or all of “normal” revenue growth
3. City revenue structure & State local government aids policy
4. City debt service levy has stabilized
5. Substantial impacts on City operations projected for 2012-2016

Comments & Questions

