

Reply to Common Council File No. 090043
From DOA-Budget and Management Division

June 12, 2009

Ref: 09027

Common Council File 090043 contains a resolution to approve a 2009 Budget Management Plan.

Significant changes in the City's fiscal condition have occurred since adoption of the 2009 Budget in November of 2008. These include investment losses in the City's Employees Retirement System that will result in increased pension contributions of at least \$49 million for the 2010 Budget; extremely high expenditures for snow and ice operations during the fourth quarter of 2008 that resulted in the necessity for \$2.7 million of emergency borrowing for operations in 2009; projected State Budget actions that will reduce State Shared Revenue and increase the costs of solid waste operations; and a decline in the 2010 Budget Tax Stabilization Fund Balance to \$26.5 million, compared to the projected level of \$30 million. In addition, during the first quarter of 2009 the City expended approximately 70% of its budgeted amount for snow and ice removal operations.

Based on current circumstances, the City should take action during 2009 to improve its financial status. Such improvement will increase future budget flexibility and reduce the potential for unemployment compensation expenses in 2010. Taking action to improve the balance in the Tax Stabilization Fund addresses a key rating agency concern.

The Budget Management Plan contains four components which are expected to improve the City's fiscal condition by approximately \$14 million. The details of the Plan are summarized in several attachments to the file. The Plan is designed to minimize the impact of the expenditure reductions on City services.

The Administration will continue to evaluate the City's fiscal options, including the impacts of the 2009-2011 State Budget (expected to be adopted in July) on the City. The Budget & Management Division will report on this evaluation to the Committee in September, and the Administration may recommend that additional actions be taken during the fourth quarter of this year.

RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER 090043



Mark Nicolini
Budget & Management Director

MN:cei

FINANCE:090043sr.doc