



FY 2008 Second Quarter (Mid-year) Budget Update

February 12, 2008

Discussion Topics

- **Economic Climate**
- **General Fund Revenue Forecast**
- **General Fund Spending**
- **Status of Other Revenue Funds**
- **Recommendations (no spending)**
- **FY09 Mid-biennial Update**

Economic Outlook

- **State budget forecasts a \$14B deficit**
 - **Possible state funding losses**
- **Federal deficit \$250B - \$368B**
 - **Some federal funding losses**
- **Berkeley economy flat**
- **Berkeley real estate market decline**

Framework for Decisions

Adopt Council Budget Policies

- 2-Year approach to eliminate deficit
- 1-time revenue for 1-time expenses
- Minimize impact on services & layoffs
- Maintain fiscal accountability
- GF reserve at minimum of 6%
- Manage City's unfunded liabilities
- No new expenditures without cost offset

General Fund Forecast

- Use of Reserve in FY08 - FY10
- Projected deficit in FY11

General Fund Forecast	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<i>(in millions)</i>	Actual	Projected	Projected	Projected	Projected
Beginning Fund Balance	\$ 25.19	\$ 30.23	\$ 14.71	\$ 12.18	\$ 11.35
Revenues	\$ 145.64	\$ 139.59	\$ 142.00	\$ 145.21	\$ 148.89
Expenditures	\$ (140.60)	\$ (151.81)	\$ (141.23)	\$ (146.03)	\$ (150.52)
Operating Surplus / Shortfall	\$ 5.04	\$ (12.22)	\$ 0.77	\$ (0.83)	\$ (1.64)

Past Budget Actions

➤ FY03 through FY06 =

- \$20M in recurring GF cuts
- \$8.6M in Other Funds cuts
- Cut 149 FTE (around 8.5% of workforce)

Goal is future fiscal stability even with current economic downturn

FY 2009 Budget Cuts

- **Adopted Budget includes \$750K in cuts**
- **Fire Department staffing not fully funded (-\$600K)**

GF 2nd QTR Revenue Forecast

Revenue:

- **FY08 Adopted = \$137.9 M**
 - **FY08 Projected = \$139.6 M**
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- Possible \$1.6M new revenue
 - Some of this is 1-time \$
 - Transfer Tax decline could erase \$1M

GF Revenue Precautions

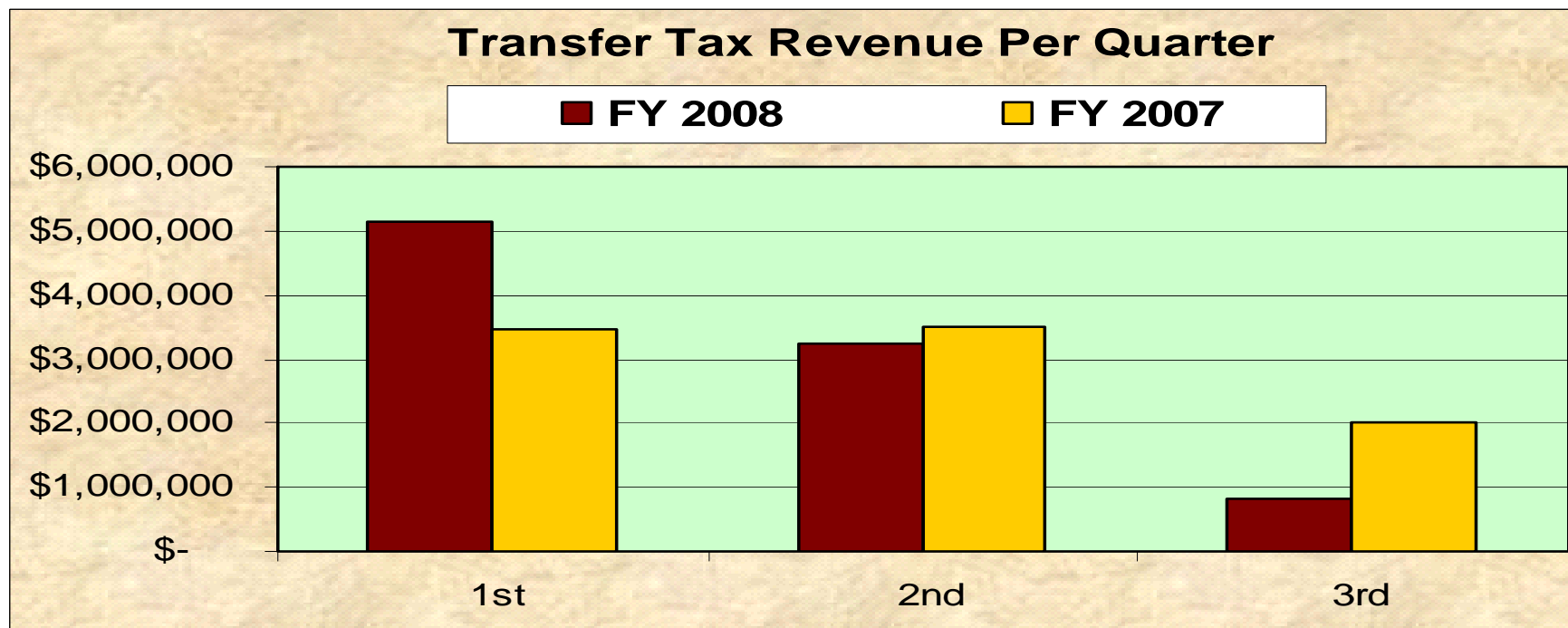
- **Current forecast is tentative**
- **Revenue doesn't exist yet**
- **Real estate market trend**

- **Possible \$1M reduction in Property Transfer Tax \$**

GF Revenue –Economic Impacts

➤ Property Transfer Taxes

- 1st Qtr increase due to a large sale
- 2nd and 3rd Qtr downward trend
- Possible decline of \$1M for FY08



Projected GF Revenue

➤ Sales and Use Tax	+ 263,630
➤ TOT	+ 272,000
➤ Business License	+ 743,312
➤ Ambulance Fees	+ 235,440

Low/flat growth rates for other economy sensitive revenue

GF Expenditures

- **Most departments on track**
- **Fire Dept. projecting \$700K over expenditure**
 - **9 positions on leave, 5 vacant**
 - **Mandatory staffing with Overtime**
- **Net projected surplus of \$300K**

Other Revenue Funds

- **Paramedic Tax**
 - Require increased GF subsidy in FY09

- **Library Tax**
 - Annual shortfall,
 - Fund balance depleted by FY10

- **Clean Storm water Fund**
 - Deficit by FY10
 - Need \$1M in new revenue to maintain current service level

Other Revenue Funds

➤ Refuse Fund

- Comprehensive rate study
- Need to increase rates in FY10

➤ Sanitary Sewer Fund

- Comprehensive rate study
- No planned rate increases

\$14B State Budget Deficit

➤ Possible City Impacts:

- Invoke Proposition 1A provisions
 - Loss of property tax \$
 - Loss of Proposition 42 transportation \$
- Delay of \$845K in Gas Tax funds
- Proposition 1B Transportation funding delay or eliminate
- AB 2034 loss permanent
- CPOFPA ballot measure

Recommendations

- **Set aside \$1.5M to complete projects**
 - **\$1M Animal Shelter**
 - **\$500K Ed Robert's Campus match**
- **Defer spending *possible* new revenue**
- **Consider all new costs during FY09 biennial budget update**
- **Identify Proposition 1B Project**

Prop 1B Transportation Funds

- **\$1.7M currently available**
- **Need Council action to adopt project**
- **Project Options:**
 - **MLK Way**
 - **University Avenue**

FY 2009 Mid-Biennial Update

- **Budget discussions over next several months**
- **Mid-biennial update to Council on May 6, 2008**
- **Council adopts FY 2009 Budget Update on June 24, 2008**



Discussion